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AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

HEARINGS

BEFORE A

SUBCOMMITTEE

OF THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

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AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, FEBRUARY 24, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m., in room SD–138, Everett McKinley Dirksen Senate Office Building, Hon. Thad Cochran (chairman) presiding.

Present: Senators Cochran, Andrews, Abdnor, Kasten, Mattingly, Specter, Eagleton, Stennis, Byrd, Burdick, and Sasser.

DEPARTMENT OF AGRICULTURE

SECRETARY OF AGRICULTURE

STATEMENT OF HON. JOHN R. BLOCK, SECRETARY OF AGRICULTURE

ACCOMPANIED BY:
- WILLIAM LESHER, ASSISTANT SECRETARY FOR ECONOMICS
- A. JAMES BARNES, GENERAL COUNSEL
- STEPHEN B. DEWHURST, BUDGET OFFICER
- CHARLES SHUMAN, ADMINISTRATOR, FARMERS HOME ADMINISTRATION

OPENING REMARKS

Senator COCHRAN. The subcommittee will please come to order.

Today, the subcommittee begins its hearings on the President's fiscal year 1984 budget request for Agriculture, Rural Development, and Related Agencies. During the next several weeks, we will have an opportunity to hear from many officials from the Department of Agriculture and its numerous agencies, from the Food and Drug Administration, from the Commodity Futures Trading Commission, from the Farm Credit Administration, from Members of Congress, and from the private sector. The subcommittee values very highly the input we receive, and we rely very heavily on the information provided to us as we make decisions on the level of Federal spending for the programs under our jurisdiction.

It is again a distinct pleasure to have the benefit of the advice, counsel, and leadership of our ranking minority member, Senator Tom Eagleton. We look forward to working with him closely during this year and with all the members of this subcommittee as we address some very difficult issues that the country faces now. I might add our subcommittee membership remains intact this year, even after the elections and some committee reshuffling. I think this indicates a commitment from every member of this subcommittee and a genuine interest in tackling and solving the problems that are threatening agriculture, rural America, and those Americans who depend on nutrition assistance provided through the Department of Agriculture.

AGRICULTURAL PROGRAMS

The bill that our subcommittee produces encompasses a wide array of Federal programs, mostly in the Department of Agriculture. The subcommittee makes decisions on funding for agricultural research and extension, conservation programs, farm income and support programs, and the various export and international activities of the USDA. Funding levels for the Farmers Home Administration and the Rural Electrification Administration programs, which are so important to rural America, are recommended by this subcommittee. A number of nutrition programs administered by the Department, such as the feeding program for women, infants, and children, the child nutrition programs, and the food stamp program, make up a large portion of our bill's total. Additionally, the subcommittee reviews the requests for funding for the Food and Drug Administration and the Commodity Futures Trading Commission, and recommends a limitation on the administrative expenses of the Farm Credit Administration.

It is clear that we are again faced with a difficult budget year. The goal of this subcommittee will be to do its share in bringing Federal spending under control, but without mortgaging the critical interests and real needs represented in the programs under our jurisdiction.

The President's fiscal year 1984 budget request for the programs under this subcommittee's purview totals $31.65 billion. The requested amount is $88.9 million below last year's appropriated amount. I should also point out that there are pending supplemental requests from the administration that amount to over $7 billion. Most of that amount is accounted for by the $5.7 billion needed to keep the Commodity Credit Corporation solvent for the rest of this fiscal year, and by $1.2 billion needed to fully fund the food stamp program.

PROGRAM REDUCTIONS

Within the program request for fiscal 1984, I notice substantial reductions are slated for cooperative State research and extension activities, the Animal and Plant Health Inspection Service, several Farmers Home and REA loan programs, and conservation programs within the Soil Conservation Service and the Agricultural Stabilization and Conservation Service. Some nutrition programs are also scheduled for budget reductions or savings that are tied to proposed legislation that has not yet been acted upon by the Congress.

I am pleased to see increased emphasis placed on export activities and on loan programs to help our farmers stay in business and get through these difficult economic times. Several other agencies also request modest increases, reflecting the administration's emphasis in specific areas.

Agriculture continues to be America's largest industry and employer. Well over 20 million Americans are at work right now in some phase of the great agricultural complex of our Nation. Each individual American is affected daily by the efforts of our farmers who produce food and fiber, as well as by the activities of related industries which process, transport, and market products domestically and around the world.

DIFFICULTIES FACING FARMERS

The vital importance of agriculture is clear to all of us. Yet, our farmers are faced with depressed market prices, high production costs, and interest rates that are still too high. This makes it very difficult for many farmers, and impossible for some, to secure necessary credit and to make a reasonable profit.

While I am optimistic about this country's economic future and about the future of agriculture, I am sensitive to what Mississippi farmers and others around the country are telling me about the problems they have. There is good evidence of an upswing in the economy, but right now our farmers are still behind a very high hump. We in the Congress should be developing and funding programs that will assist their recovery, not hinder it.

ECONOMIC RECOVERY

The challenge to Congress and the administration is to adequately address these problems while promoting further economic recovery. Several legislative proposals, some of them my own, are aimed at remedying the economic ills of agriculture. Those measures are being reviewed by the legislative committee. We in the appropriations process, as we review the President's budget requests, intend to carefully scrutinize agricultural spending programs and determine adequate and responsible funding levels that will support American agriculture and enhance economic recovery.

Before hearing from Secretary Block, who is here with us this afternoon, I would certainly be happy to yield to other Senators for any observations or introductory comments they may care to make as these hearings begin.

Senator Andrews?

Senator ANDREWS. Thank you, Mr. Chairman. It is a privilege to work with you again. I seem to be in the pattern of working with Mississippi chairmen on the subcommittees that fund the Department of Agriculture. I think this is about the 13th or 14th year I have been in that position.

Let me say it is a privilege and pleasure to work with you. You do well up in North Dakota, because you understand agriculture; you understand farm people.

And, Mr. Secretary, I have to chair another hearing within one-half hour, so if I am not as feisty as I usually am in asking questions, it is not because of loss of any of my interest or any of, shall we say, concern. You will be hearing periodically from me and from people on my staff.

FARMERS HOME ACTIVITIES

I would like to point out two things, besides agreeing with what you said in your opening statement. I would hope, Mr. Secretary, that you would, through Mr. Shuman and others in the Farmers Home Administration, start putting the tail on the right donkey as far as Farmers Home Administration and its activities are concerned. The average farmer out there somehow or another doesn't know what this committee has done and what you have recommended as the budget allocation to Farmers Home. The farmers are in an economic bind. We all know that. But I think it is important to let the farm families, and even more important the oil suppliers, the machinery suppliers, the people that they have to buy things from during the year, know there isn't any shortage of funds for Farmers Home Administration operating loans. As a matter of fact, you have increased your request, as I understand it, Mr. Chairman, some $350 million over last year. You went from $1.510 million to $1.860 million, if I remember correctly, and that is about twice as much as we had for Farmers Home operating loans under the previous administration. I think this should be spelled out, not just as a political statement of fact, but because it is darned important for rural America to let the creditors of farm families know that this source of funding is not drying up.

As far as the apportionment of those funds, they are being carried on on a county-wide level, the same way they always have, with bipartisan committees reviewing farmer needs. There is no edict that has come out of your office, as I understand, Mr. Secretary, that says you are going to shortchange operating funds for these families. The decisions are being made out of there.

That is the good thing I have to convey to you, Mr. Secretary. I wish you would emphasize that, have your people emphasize that, not just to take you off the hook, but, far more important, to spell out to rural America this source of operating funds for farmers is there; it is there in spades; it is there greater than it has ever been, and there is no reason for the farm suppliers and the rest to get uptight about what source of credit farmers might have in Farmers Home for operating funds.

NUTRITION PROGRAMS

The other thing, and one that bothers me deeply, is when a colleague of yours in this administration, the head of the Office of Management and Budget, came up here, and we were talking about nutrition programs. I am concerned we are going to block grant the major one. I have some questions about that. You are going to block grant them; you are going to cut them some 30 percent.

I spent some time a few weeks ago in some inner-city churches in this town. I guess they told me I was the first Senator that ever went to see the feeding program without the television cameras there. They are doing a fantastic, but necessary, job of feeding people that need to be fed. I sat next to an individual who had worked in a department store.

He frankly didn't have enough money to afford the food he needed, but he was getting it in the church basement. I had lunch there. I was appalled when I went into the kitchen to see what they were preparing. They were preparing what they had been able to salvage out of the dumpsters at the Eastern Market and other places, on a strictly volunteer basis. But there was no government flour. There was no government milk. There were no government potatoes. There were no government surplus commodities whatsoever. There was a group of humanitarian church people who were trying to do a job with no help whatsoever from any commodity programs and at a time we are talking about farm surpluses and we ought to put acreage into PIK and cut back production.

I think it is long past time when Mr. Stockman and others in the administration say we are going to cut back these feeding programs, because there are all kinds of waste, fraud, and abuse. That is an old line, Mr. Secretary. These programs have been ours for 2 years, and if we talk about waste, fraud, and abuse that can be corrected to make these savings, we are saying we are not doing that job. It is way past time when we started blaming the other fellow for the problems of the program. The programs, as I can see it, are needed very desperately in many areas of urban and rural America, and I think that this Department and this administration ought to have a little better story—and this isn't your story necessarily—than the one presented by Mr. Stockman the other day when he said these cuts are justified, because there is so much waste in the programs we have been running for 2 years. I would hope, Mr. Secretary, knowing you as I do, this isn't your attitude. I would hope you would be able to direct your people to get these programs going where the commodities go out to the feeding programs.

It doesn't make any sense to shortchange the feeding of young Americans, not only from a humanitarian standpoint but from a cold, hard budget standpoint. It is going to cost a lot more to take care of problems that arise because of malnutrition. You are a darn good farmer, and you know what happens to the little pigs if you don't take care of the sow. If you don't take care in the WIC program for mothers to be, we are going to be paying, as a government, far more to take care of the medical problems of that child later on. So whether you look at it from the standpoint of the humanitarian concept, which I hope you do, or just plain old dollars and cents, some of these program cuts don't make too much sense.

Senator COCHRAN. Senator Abdnor?

TIGHT BUDGET RESTRAINTS

Senator ABDNOR. Thank you, Mr. Chairman. I too am looking forward to these hearings on agriculture, because I know no subject is more important in my State. You have the understanding for agriculture and what it means for the entire country.

I have much the same thoughts as those expressed by the Senator from North Dakota, particularly, I think that we could do more to inform the public about agriculture. So, I too would hope we get our story told.

I realize that we will be performing our duties in this subcommittee under tight budget restraints. I think we have already made pretty healthy cuts in some areas of agriculture, however. Sometimes it is too easy to go back to the same old discretionary funds and ignore some of the larger areas in the budget. In addition to the concerns expressed by the Senator from North Dakota, I think the budget for research grants should be left intact. We must not lose sight of the importance of research and what it means to agriculture. The more we cut, sometimes I think the more difficult it is for some of our smaller producers to participate.

RESOURCE CONSERVATION AND DEVELOPMENT

I know again we will take another hard look at RC&D. Are we cutting it out almost entirely now? It has been an excellent program. I know the difficulties we have finding the dollars, but I keep going back to the fact this has been one of the funds we can easily attack, because it doesn't come under the form of an entitlement. It is one of the agricultural conservation programs that is most popular with my people in South Dakota.

NOXIOUS WEEDS

A real problem area in agriculture is the control of noxious weeds. It may seem a minor thing, but it is a mighty big problem to ranchers and farmers with land bordering the national forests. I know farmers and ranchers that are up in arms, because the Forest Service and the Interior Department are doing little to control these weeds on Federal lands.

While I am not suggesting we should make little effort to reduce spending, we should be careful not to keep going back to the same programs for savings. Some of these programs have been extremely successful.

PAYMENT IN KIND

Mr. Secretary, on the brighter side, I would like to think we are going into this year with a little more optimism than I have seen before. Maybe we are placing too much hope on PIK, but I think it has a lot of merit. Many farmers in my State are talking about it, and while it may not be a total answer, it can be a useful tool to protect farm income this year. The Department of Agriculture went ahead and took the initiative on the PIK program. I commend Secretary Block for his effort. The Congress was dragging its feet during the closing moments of the 97th Congress. Hopefully, we can provide some clarification of the program before we reach the signup deadline.

GRAIN SALE TO EGYPT

I also want to commend the Secretary, Mr. Chairman, for the sale of wheat flour to Egypt. We have all waited a long time for that. I hope the Europeans get the message. I doubt if this will be a one-punch fight, but we will have to wait and see.

Unilateral domestic production adjustments do not work unless they are coupled with a strong and aggressive export policy. It is something we can never quit working on. We must initiate some new, innovative ideas, and the flour sale to Egypt is a good example.

In the final analysis, we must give our full attention to marketing our agricultural products, because just cutting back domestically will serve only to export our agricultural industry.

Mr. Chairman, we ran figures in my office the other day. If we cut back 10 percent of our production this year, the other countries of the world must only increase their production by 2 percent to offset our reduction. We just can't cut back domestically and let these countries take our place in the world markets. The emphasis has to be on foreign sales.

Thank you very much.

Senator COCHRAN. Thank you.

Senator Eagleton?

Senator EAGLETON. I have no statement, Mr. Chairman.

Senator COCHRAN. Senator Burdick?

Senator BURDICK. I think I will give my time to the Secretary.

PREPARED STATEMENTS

Senator COCHRAN. Mr. Secretary, we want to welcome you to lead off our series of hearings analyzing the budget request for the Department of Agriculture and these related agencies. We have the written statement which you have submitted to the committee, which we appreciate very much. We also have a statement from Bill Lesher, Assistant Secretary for Economics, who is accompanying you today. Jim Barnes is here, and Steve Dewhurst is here. We welcome all of you and invite you to feel free to summarize your statements or make whatever comments to the committee you would like. Proceed as you wish.

Secretary BLOCK. Thank you very much, Mr. Chairman. It is a pleasure for me to be here and have a chance to discuss with the committee some of the problems in agriculture and review the situation. I do have with me the gentlemen that you suggested. I am going to, with your permission, go through an abbreviated statement and ask that my full statement, the general agricultural outlook, and the budget overview statements be placed in the record.

[The statements follow:]

STATEMENT OF SECRETARY OF AGRICULTURE JOHN R. BLOCK

Mr. Chairman and members of the Committee, I am pleased to appear before you to discuss the programs of the Department of Agriculture and our fiscal year 1984 budget proposals.

During the past two years, I have been very gratified to note the public's growing awareness of the broad role that agriculture plays in the many aspects of our daily life. We all have a stake in seeing that our policies and programs continue to assure that our agricultural system remains the most effective and efficient in the world. Farmers need strong markets and adequate financing at reasonable interest rates. Consumers all over the world need assurance that we will be able in the future to provide plentiful food which many take for granted today. The disadvantaged in our society need help in meeting their essential needs during these difficult times. And ultimately, our Federal taxpayers need to be assured that Government actions to help achieve these objectives involve the minimum possible cost.

The Congress and the Department have worked closely together to meet these key national objectives in light of very adverse conditions. In recent years, the agriculture industry has had to endure a grain embargo and restrictive foreign trade policies with their attendant loss of markets. Everyone has been affected by soaring inflation, interest rates, and increased Government spending. Farmers have been particularly hard hit because the combination of weak domestic and foreign markets and crop surpluses generated by two excellent growing seasons in a row have served to depress prices for many commodities.

But I am optimistic for the future of the agricultural sector. Inflation is down substantially. Interest rates are also down and, as the President has said, there is room for further reductions. Economic recovery is on the way. We have legislation in place to protect farmers against extremely low prices. And with the implementation of our new programs to reduce production and excessive stocks, I am confident that we can bring supplies more in line with demand.

The needs and goals of the nation and of rural America and the agricultural sector must be addressed in the context of our national objectives of a permanent recovery in employment, production and investment. Reductions in Federal budget deficits are absolutely essential to reach these objectives. The Department's fiscal year 1984 budget and legislative proposals reflect these overriding concerns. Our budget will allow us to fulfill our responsibilities to our constituents. Yet, it is balanced with the need to spend public money wisely.

Before I describe our fiscal year 1984 budget proposals for the Department of Agriculture, I would first like to discuss the current agriculture and farm credit situation.

Current Agricultural Situation

As noted, American farmers are operating under a severe financial strain since prices for major crops in 1982 were at their lowest levels since 1978. A number of forces have combined to bring about the current situation. World grain production, which rose four percent in 1981/82, rose a further three percent in 1982/83, topping 1.5 billion metric tons. World soybean production increased seven percent from 1980/81 to 1981/82, and increased another 12 percent this year. Cotton production decreased five percent in 1982/83, largely due to a decline in U.S. production.

In the face of these ample supplies, demand has grown very slowly. The world is in the grip of a recession. Industrial market economies barely grew last year, and the U.S. economy declined. Developing countries, which offer the greatest potential for export development, experienced growth of only about two percent in 1982, well below that experienced in recent years. Other factors damaging U.S. exports are the financial instability of some of our customers, the strong U.S. dollar, losses related to political tensions, and unfair trade practices by our competitors.

Domestically, the weak economy and growing unemployment have dampened demand for meat, translating into weak demand for feed grains.

Taken together, the large supplies and weak demand have boosted stocks to levels far above any experienced in recent years. Because the U.S. is often the residual supplier and the holder of large supplies of commodities, our burden has grown out of proportion to that of other countries. For example, world grain stocks at the end of 1982/83 are expected to be more than 260 million tons, or 20 percent, above last year's ending stocks. The U.S. will add to stocks nearly 46 million tons more grain and hold nearly 60 percent of world grain stocks by the end of the 1982/83 marketing year. This means that other countries are actually expected to decrease stocks, while our farmers absorb all the shock of the entire world marketing system. In soybeans and cotton, the situation is similar. Of the projected four million ton increase in soybean stocks, 3.3 million tons will be in the U.S.; U.S. cotton stocks will increase by 1.8 million bales while world stocks increase by only 1.3 million bales. Under these circumstances, it is no surprise that prices and farm incomes continue to be depressed.

There have been a few bright spots recently, however, and I am confident that they will grow in the near future.

This Administration has succeeded in reducing inflation down to the lowest level in recent years -- going from double digit levels to four percent in 1982. Interest rates have also declined substantially. The decreasing inflation and interest rates kept farm production cost increases in 1982 to very low levels.

Another relatively bright spot was that livestock producers have fared better than expected.

In 1983, we expect the picture in the agricultural sector to steadily improve. We believe that general economic conditions, both at home and abroad, will be somewhat better, as policies to promote a sustainable recovery take effect. Inflation rates should remain low and interest rates should continue to decline.

It is unlikely that gains in exports in the near term will return to the expansion course of the 1970's. Food grain exports, especially, are likely to remain steady, as world-wide wheat growing conditions for 1983 are favorable, and developing countries' ability to pay for imports will remain limited.

Domestically, although livestock numbers are down and feed is relatively cheap, producers are not likely to significantly expand herds in 1983. It will take some time to gain financial strength to support such an expansion. Therefore, livestock and meat prices should strengthen moderately this year. Feed use is not expected to change much.

Without prospects for a dramatic turnaround in exports or the livestock industry, it became apparent late last year that an ambitious, innovative program would be necessary to prevent further deterioration in the agricultural sector in 1983. Therefore, in addition to the acreage reduction (ARP) and land diversion programs (LDP) announced for the 1983 crops, the President announced on January 11 a payment-in-kind (PIK) program. Participants in the PIK program will receive grain that is under loan or in Commodity Credit Corporation stocks in return for reducing acreage beyond the levels called for in the ARP and LDP. The goals of this program are to reduce excessive stocks while providing adequate supplies for domestic consumption and world trade, and to support farm income and enhance prospects for a future market-led recovery.

With the PIK program, commodity prices may not increase significantly in the near term, though they should firm. We expect the longer term economic outlook to improve as a result of bringing supplies more in line with demand. The reduction in stocks will provide a potential for price recovery as the general economy improves.

In an effort to meet foreign competition and maintain market share during this transitional period, we have embarked upon an aggressive new export credit program. This "blended credit" program should help to maintain and expand our markets, especially in key developing countries.

We are also continuing to work hard on other avenues to promote exports. Recently, I announced that one million tons of flour will be sold to Egypt. We are also continuing our efforts to lower trade barriers to the Japanese market and gain the cooperation of the European Economic Community (EEC) in defining acceptable trade practices.

All these efforts are not a short-term panacea to the problems farmers face, but taken together they give farmers hope that prices will strengthen in the future.

Farm Credit Situation

Three years of depressed farm income are obviously having an effect on farmers' ability to meet their financial obligations. Attention given by the news media to recent farm foreclosure sales provides visible evidence of the problem. There is also statistical evidence of increased delinquency rates and other indicators of financial distress.

However, we must recognize that the vast majority of farm borrowers are meeting their loan obligations, and can obtain the credit they need from private sources. For these borrowers, credit conditions are improving. Loan-deposit ratios of agricultural banks continue to decline, indicating that these banks have reserves sufficient to provide for increased loan activity. Farm Credit System banks also have the capacity to provide additional credit. Furthermore, interest rates have declined several percentage points from the record high levels of a year ago.

The overall debt-asset ratio for the farm sector has increased, but still remains low -- about 20 percent -- relative to other sectors of the economy. This ratio reflects estimates of $215 billion in farm debt and $1,070 billion in farm assets. Although it is somewhat higher than the 16 percent ratio of the late 1970's, when inflation-fueled increases in land values encouraged excessive borrowing, it is still a healthy ratio.

Land values have declined over the last two years. Land and other real estate assets are currently valued at about $790 billion, or close to three-fourths of total farm assets. The value of these assets should remain stable over the next few years.

It is also important to note that close to half of our farmers remain debt free. Of those farmers who do borrow, about half have debt-asset ratios of less than 20 percent and about one-fourth have ratios between 20 and 40 percent. These farmers are in a relatively secure financial position.

The payment-in-kind program should help reduce the credit needs for some farmers and the crop insurance program will continue to provide farmers with the opportunity to protect themselves against production losses.

Now, let me talk a little more about those farm borrowers who are in real trouble. Their problem is of foremost concern to us. As instructed by the President, we are working and will continue to work individually with farmers with debt problems to help them through these tough times.

Traditionally, the Farmers Home Administration (FmHA) has been the "lender of last resort" for farm borrowers who could not obtain sufficient credit from private lenders. Because many of these borrowers started with limited resources or came to us after sustaining a loss due to natural disaster, it is not surprising that they are having an especially difficult time in coping with the economic slump of the last three years. At the end of fiscal year 1982, about one-fourth of FmHA's farm borrowers were delinquent. The total outstanding debt owed to FmHA by these borrowers exceeded $9 billion. The total amount of delinquent payments is about $2.7 billion.

Delinquencies on farm loans held by private lenders are averaging about four percent, which is considerably less than the rate on FmHA loans. However, based on a combination of factors private lenders are reporting that from five to 10 percent of their borrowers are financially vulnerable. Some portion of these borrowers will undoubtedly seek FmHA loans if denied additional credit or asked to liquidate by their private lenders.

Let me emphasize that every loan application will be considered on its individual merits by persons familiar with individual circumstances. We will continue to deal with applicants on a case by case basis, and continue to offer subordinations, deferrals, rescheduling, and reamortizations where necessary to assist our borrowers. Over the past year such assistance has been provided to about 40,000 of FmHA's 270,000 farm borrowers. Every effort will be made to stay with borrowers who can truly be helped through FmHA loan assistance and supervision. Generally, the criteria will continue to be that borrowers have made good faith efforts to repay, that they practiced good management, and that they properly maintained loan security.

I have ordered every FmHA county supervisor to personally discuss credit needs and to work out solutions at the grassroots level with local banks, Production Credit Association officials, and other private lenders. These efforts will build on the close contact that we have maintained among our lending institutions at the national level. I have authorized a significant increase in FmHA field staff to assure that we have the personnel to do this job.

Despite these efforts, we must recognize that maybe not all farmers will be able to stay in business in 1983. While the situation is not as bad as some suggest, we recognize that the pain is no less for those who will have to quit. The farm audiences I have talked to over the past several months seem to understand that the Federal Government is doing everything it can. They also seem to realize that blanket loan moratoriums would not solve the problem, and would probably worsen it by jeopardizing the viability of agricultural lending institutions.

Let me turn now to the Department's budget proposals for fiscal year 1984.

Fiscal Year 1984 Budget Proposals

For fiscal year 1984, the total value of the goods and services provided by the Department of Agriculture is estimated at $57.1 billion. Outlays associated with this program level are estimated at $35 billion. Both of these numbers represent slightly more than a 20 percent reduction from the record levels now estimated for fiscal year 1983 of $72 billion and $45 billion for program level and outlays, respectively. The reductions affect many programs. In fact, each program area of the Department was reviewed extensively in our desire to balance resource needs with the overriding concern to bring the Federal budget under control.

Research And Extension

Support for agricultural research and extension has been a consistent goal of this Administration. This goal remains in the fiscal year 1984 budget request. However, the need to restrain Federal spending means that even highly favored programs will have little or no growth in fiscal year 1984.

The Agricultural Research Service (ARS) budget would have a net increase of $10.2 million, $7 million for increased operating costs and about $5.2 million for new program activities. The increases relate primarily to agricultural production and protection and research to help market U. S. commodities overseas. There is also a $1.9 million decrease for non-recurring construction activities.

The funding levels for the major formula programs in the Cooperative State Research Service (CSRS) would be maintained at the fiscal year 1983 level. Special Research Grants and the Animal Health and Disease program are proposed for reductions in order to maintain the formula funds. The request for the Competitive Research Grants program is $21.5 million. This level would permit a new program of basic research in animal reproduction problems. This will be the first time animal research will be conducted under the Competitive Research Grants program.

In the Extension Service, the traditional formula funds are maintained at the fiscal year 1983 budget level. The $41.6 million reduction in earmarked programs was made necessary by increased budget constraints. These earmarked funds have usually been successful in encouraging states to develop programs in areas that need national or regional attention. Taking the cuts here will allow the states to maintain maximum flexibility in program planning by preserving the traditional formula funds.

A major study last year found serious deficiencies in services provided by the

National Agricultural Library (NAL). Members of the study team included executives from other national libraries. The Administration is responding to the urgent needs both by an increased funding request and management efficiencies. The NAL can be a great national resource underlying the research and extension system. We must not allow it to decline further. The requested $1.1 million increase will do much to strengthen the Library and improve services.

Export Promotion Programs

Expanding the export of U. S. agricultural commodities continues as a priority of this Administration. In the State of the Union message, the President discussed a broader strategy for international trade, one that increases the openness of our trading system and is fairer to American farmers and workers in the international marketplace. USDA will contribute to the broader strategy in two ways: increased funding for the Foreign Agricultural Service (FAS), and innovative export promotion programs.

In fiscal year 1984, we propose an increase of $10.3 million for FAS, primarily consisting of $5 million for market development and $3.5 million for the purchase of satellite photographs of foreign crop production areas (LANDSAT). Other programs will be maintained at the fiscal year 1983 level of activity.

We plan to continue to place emphasis on country/commodity combinations that show the most potential for market development. In general, this means that we will continue to shift more of our market development funds to growth markets in Southeast Asia, Latin America, and Africa.

We understand that, relative to other countries, we do not have a large market development program. This Administration has, however, asked for increases in market development every year, and the fiscal year 1984 request represents a 60 percent increase over the actual fiscal year 1981 level of expenditure. From fiscal year 1981 to fiscal year 1984, expenditures for forest products development are planned to increase by 930 percent; oilseeds and products, by 86 percent; grain and feed, by 78 percent; and dairy, livestock and poultry, by 65 percent.

In October, I announced a new "blended credit" export program of $1.5 billion, $500 million in each of fiscal years 1983-85. This program combines direct government credits, at zero interest, with government-guaranteed private loans at commercial rates of interest, to produce an attractive, low-cost financing package. This program is also targeted at countries which show potential for market growth.

The initial $500 million program for 1983 was extremely successful -- in just over two months, all of the funds had been committed. About 3.0 million metric tons of grains, soymeal and vegetable oil will be exported, as well as 200,000 bales of cotton. As a result, on January 11 the President announced that an additional $1.25 billion will be made available this year.

In total for fiscal year 1983, we expect to guarantee at least $3.4 billion in commercial credit in addition to the $1.4 billion included in the blended credit program. Of this amount, at least $1 billion is earmarked for Mexico. Thus, total guaranteed credits will be at least $4.8 billion; total direct credits will be at least $350 million; and the total export credit level is expected to be over $5.1 billion.

In fiscal year 1984, we expect that the world economy will be well on the way to recovery and that a less ambitious export credit program may be appropriate. At this time, we plan to make available at least $3.0 billion in guarantees and $100 million in direct credit. Let me assure you, however, that actual credit levels will depend on the need to enhance exports; we will respond as circumstances develop.

Another important component of USDA's total export effort is the P.L. 480 program. In fiscal year 1984, we propose a program level for P.L. 480 of $1.5 billion, up slightly from fiscal year 1983. We expect that 5.4 million metric tons, grain equivalent, will be shipped, compared to an estimated 5.7 MMT this year. The lower tonnage will be due to a small shift in commodity mix to accommodate more highly valued commodities, such as vegetable oil, and to slightly higher commodity prices.

We are also requesting, in each of fiscal years 1983 and 1984, $500,000 to support the President's Caribbean Basin Initiative. These funds will support the modernization of agriculture in the Caribbean region. We are also proposing an increase in fiscal years 1983 and 1984 for overseas scientific research.

Commodity Credit Corporation

In the area of domestic commodities, our primary initiative is the PIK program, which I described for you earlier. The PIK program, together with the legislative proposals contained in the budget, is expected to reduce outlays for CCC by $600 million in fiscal year 1983 and $3.1 billion in fiscal year 1984. In fiscal year 1983, outlays are expected to total $18.3 billion; in fiscal year 1984, $9.3 billion. As always, the fiscal year 1984 estimate is very tentative. It assumes normal growing conditions; certain levels of participation in the acreage reduction, land diversion and PIK programs; Congressional approval of the legislative proposals; and continued efforts to reduce the cost of the dairy program. Our fiscal year 1984 request includes $10.2 billion to reimburse the CCC for projected realized losses.

We urgently need the help of the Congress in providing adequate funding this year so that CCC can continue to carry out its responsibilities. In recent weeks, CCC disbursements on some days have been as high as $300 million. With this level of activity, even the recent injection of $10.5 billion provided by the fiscal year 1983 Appropriations Act will soon be exhausted. Therefore, we are urgently requesting a supplemental appropriation of $5.7 billion for fiscal year 1983 to further restore anticipated losses.

Soil and Water Conservation Programs

The President's statement of policy and the Department's program for soil and water conservation activities were sent to Congress on December 21, 1982. The Resources Conservation Act (RCA) policy statement and program are based on extensive surveys and evaluations of soil and water resources and will serve as a basis for the Administration's budget and program policy recommendations for the next several years.

Total funding for soil and water conservation activities in fiscal year 1984 is proposed at $694 million. The Soil Conservation Service (SCS) has a proposed budget of $475 million. There is a slight increase of $7.8 million for conservation technical assistance to farmers. For fiscal year 1984, the Department is proposing to target 10 percent of the funding, $26.3 million, to reach 282 additional counties for a total of 806 counties in 44 states. In fiscal year 1982, these targeted operations were conducted on highly erosive soils and saved 19 tons of soil per protected acre whereas 77 percent of the cropland erodes at less than five tons per acre.

The water resource planning and construction programs are proposed for a $92.3 million reduction, largely on the basis of overall Administration fiscal policy. While these programs are important, funding in fiscal year 1984 is not critical to protecting the long-term productivity of agriculture. In addition, there is a proposal to rescind $69 million of the fiscal year 1983 appropriation which was provided above the President's 1983 budget request.

The Administration continues to recommend termination of the $25.7 million Resource Conservation and Development Program. Reviews conducted in previous years have not demonstrated that it warrants priority over other conservation programs within the overall funding levels proposed for SCS. Moreover, the resource and economic development objectives are considered to be primarily state and local government responsibilities. The Department proposes to rescind part of the fiscal year 1983 appropriation and to discontinue further funding of the program in fiscal year 1984.

A decrease of $161.1 million is being proposed for the on-going conservation cost share programs in SCS and the Agricultural Stabilization and Conservation Service. The budget proposes to combine the objectives of the Agricultural Conservation Program (ACP), Emergency Conservation, Forestry Incentives and Water Bank Programs at $56 million. Reductions in cost share programs can be made more readily than in other conservation programs where reductions would essentially be permanent. While these are unquestionably large reductions for federal cost-sharing programs, the committee should be mindful of the much larger level of assistance that is being offered through the acreage reduction and payment-in-kind programs. These programs will take a significant amount of erosive land out of production, and farmers are being required to put the retired acreage into soil conserving uses. Finally, some conservation practices are becoming more cost-effective even when viewed in the short-term. Conservation tillage and irrigation efficiency improvements can often be justified on the basis of energy cost savings alone, thus reducing the need for federal financial assistance.

The Administration is proposing a total of $50.0 million for Colorado River salinity control activities. Most of the funds will go for measures that will be installed by the Bureau of Reclamation; however, there is a critical, and highly cost-effective, component included in the USDA budget for on-farm salinity control measures. Funding for these measures is being brought together in a new consolidated program budgeted at $12.6 million. Heretofore, Colorado River salinity control activities have been carried out under the ACP and several SCS programs. However, the ACP is not ideally suited to special salinity control program needs, and program planning and administration will be improved with funding coming from a single source.

Rural Credit

Reductions in federal credit programs are necessary to reduce Government spending and Treasury borrowing, and to increase private investment and future productivity. USDA's overall level of credit activities will be reduced accordingly. But, the reductions for fiscal year 1984 will vary among programs, and some programs will be increased.

We expect to reduce the overall level of new loans made or guaranteed from about $32 billion in fiscal year 1983 to slightly less than $21 billion in fiscal year 1984. The total value of loans outstanding will increase from $127 billion at the end of fiscal year 1982 to over $151 billion at the end of fiscal year 1984. Clearly, the Department of Agriculture continues to be a significant supplier of credit for rural America.

We are proposing to increase the FmHA farm operating loan program substantially for the third year in a row. The increase in fiscal year 1984 of $350 million provides for a farm operating insured loan level of $1,860 million, more than twice the operating loan level of fiscal year 1981. The farm ownership insured loan level will be reduced by $100 million to a fiscal year 1984 level of $600 million. Several smaller farm loan programs will be terminated to provide for improved servicing of the farm ownership and operating programs.

Our estimate for the emergency disaster loan program in fiscal year 1984 is $1.54 billion, down from $2 billion in fiscal year 1983. This reduction reflects the combined impact of legislation approved in 1980 which phases out subsequent loans for annual operating expenses, and legislation we are proposing which will further restrict emergency disaster loans in areas where crop insurance is generally available.

We are proposing that FmHA's rural housing loan and grant programs be consolidated into a state-administered rural housing block grant program. The proposed legislation would authorize $850 million for the block grant and $300 million for servicing existing loans under FmHA's existing legislative authorities.

Most of the states have housing finance authorities created specifically for the purpose of providing housing assistance to low and moderate income families. The block grant should give them additional flexibility and augment their efforts to meet specific housing needs. The legislation is sufficiently broad to permit a wide variety of assistance including acquisition, construction, repair, rehabilitation, financing, and rental assistance payments. The block grant funds will be allocated to the states by formula, taking into account the distribution of rural population, substandard housing, and income levels.

Modest reductions are proposed for the community development programs. The water and waste disposal loan and grant programs are scheduled to be reduced from $375 million to $250 million, and from $125 million to $90 million, respectively. The community facility loan program will be reduced from $130 million to $100 million. Assistance under these programs will be limited to projects that are essential to the health and safety of the rural residents and of small rural communities. Funding is not continued for the business and industrial loan program.

Reductions are also proposed for the electric and telephone loan programs of the Rural Electrification Administration. The loan guarantees for the construction of generation and transmission facilities is reduced from $4.6 billion in fiscal year 1983 to $3.2 billion. This level of reduction reflects an anticipated decrease in demand for loan guarantees for construction of new generating plants.

The insured electric loan program will be reduced from $850 million to $500 million; the insured telephone loan program, from $250 million to $75 million; and the guaranteed telephone loan program, from $145 million to $125 million. We believe the cooperatives and other organizations participating in these programs can obtain increasing proportions of their capital needs from commercial sources. The majority of the telephone borrowers are privately owned companies and are eligible for investment and tax credits, as are some of the larger electric borrowers.

Crop Insurance

We will continue to expand the availability of risk protection provided to farmers through the federal crop insurance program. In crop year 1983, insurance will be available for all acreage in crops previously covered by disaster payments, the individual yield coverage plan will be given greater emphasis, and an increased yield guarantee will be provided on the planted acreage of insured farmers who participate in the PIK program. Coverage will be extended to all 3,000 agricultural counties in 49 states, and to 28 commodities. We expect producers' participation to improve considerably, from about 18 percent in crop year 1982 to 30 percent in crop year 1983, and to 37 percent in crop year 1984.

Domestic Feeding Programs

For the domestic feeding programs, several legislative proposals are being made which are aimed primarily at program simplification and the reduction of errors. We believe that our proposals are consistent with the dual objectives of fiscal restraint and responding to the needy.

The Child Nutrition Programs are being funded at a level of $2.9 billion in fiscal year 1984. The school lunch proposals for fiscal year 1984 are technical in nature and will not alter the basic structure of free, reduced price, and paid meals that have made the school lunch program so popular. These include establishing an indexed reimbursement rate for reduced price meals, instituting a six-month delay in the cost-of-living adjustment, and transferring responsibility for determining and verifying eligibility for free and reduced price meals to the local food stamp office. Additional funds have been provided to cover the increase in administrative costs at the food stamp offices.

In addition, the Department is proposing a General Nutrition Assistance Grant to replace the Summer Feeding Program, the Child Care Food Program, and the School Breakfast Program. This consolidated grant will be funded at 85 percent of what these programs would have received in fiscal year 1984, less funds previously provided for family day care homes. It is expected that the elimination of the many detailed specifications, regulations and policies will provide states with a substantial savings in administrative costs.

All told, the Child Nutrition changes are expected to save about $313 million in fiscal year 1984.

For the Food Stamp Program, the Administration is requesting a $1.2 billion supplemental in fiscal year 1983 to assure that adequate funds are available for the rest of the year. For fiscal year 1984, the Administration's proposals are intended to simplify program administration and increase the responsibility of state and local governments for the accuracy of their certifications.

We are proposing several actions to simplify program administration which should reduce errors by at least 20 percent (or approximately $200 million). Included is a provision to simplify the current series of income deductions by creating a combined standard/shelter deduction available to all households. The legislative proposal also provides for automatic eligibility and a standard food stamp benefit for recipients of the Aid to Families with Dependent Children (AFDC) program. Moreover, we propose to simplify the currently complex food stamp household definition.

In addition, we are proposing that the states be liable for all certification errors exceeding three percent of total issuance. Since the Federal Government has no direct control over food stamp certification, the states should accept a greater financial responsibility for improperly issued benefits.

We are also proposing legislation that would require states to operate a program which would combine the receipt of food stamp assistance with the opportunity to work. Such a program requires able-bodied food stamp recipients to work at public or private sector jobs as a condition of continued program participation.

As part of the overall government-wide freeze on cost-of-living increases, the automatic update of food stamp benefits scheduled for October 1, 1983, will be delayed until April 1, 1984.

We are proposing to transfer the "food subsidy" portion of the Elderly Feeding Program to the Department of Health and Human Services. The Elderly Feeding Program is already housed in the Administration on Aging, and USDA has virtually no responsibility for administering this program. USDA simply provides commodities or cash-in-lieu of commodities as part of the program's Federal subsidy. Since over 90 percent of the program is paid in cash, this program is no longer a major commodity outlet.

The Special Supplemental Food Programs for Women, Infants and Children, the Special Milk Program, and the Food Donations Programs will all be carried out at essentially the fiscal year 1983 resource levels of $1.2 billion.

The Department provides an important subsidy to many food assistance programs in the form of commodities. In fiscal year 1984, the Department will continue its efforts to upgrade the commodity distribution system and move more of the commodities that are in abundance to schools, institutions, and needy persons, including food banks participating in the Special Cheese and Butter Distribution. Since the inception of the Special Cheese and Butter Distribution Program in December 1981, 500 million pounds of cheese and 125 million pounds of butter have been made available to the states. Over half of these amounts have actually been ordered by the states, to date.

Marketing and Inspection Programs

In the Animal and Plant Health Inspection Service, we are again proposing to shift the emphasis in the brucellosis program from eradication to control. This will save the Government nearly $33 million in fiscal year 1984. The infection rate is currently running at less than one-half of one percent and annual Federal appropriations exceed economic losses to the industry by more than two to one.

We are also proposing to eliminate or reduce the Federal Government's involvement in several pest and disease control programs, including gypsy moth, witchweed, imported fire ant and grasshopper. In these programs, the pests are localized, states have the capability of conducting the program themselves, or technology does not currently exist to prevent the spread of the pests. In addition, the budget proposes new legislation to authorize user fees for inspecting plants for disease before export, for issuing health certificates for export animals, and for the quarantine costs of animals being imported into the United States. These user fees will provide annual savings of $3.6 million. I want to emphasize, however, that we remain committed to the long-term continuation of essential quarantine and inspection programs to protect our agricultural industry from diseases and pests.

In fiscal year 1984, we expect to complete the screwworm barrier in southern Mexico. An additional $3.5 million is requested for this effort. Once the barrier is in place, funding needs for subsequent years will be substantially less.

The Agricultural Marketing Service proposals include new or increased user fees in several areas. Also, the budget does not recommend funding for the Wholesale Market Development and Payments to States programs. All of these changes are consistent with our general policy of relieving the taxpayer of the burden of financing services when those receiving the services are identifiable and able to pay.

For the Food Safety and Inspection Service, we are submitting legislation which would grant the Secretary authority to determine the frequency of inspection at meat and poultry processing facilities. This change would continue the present high standards of product wholesomeness and, at the same time, reduce inspection costs. A first year savings of $2 million can be realized from this change, and within five years, we expect annual savings to be nearly 10 times this amount.

The budget for the Agricultural Cooperative Service (ACS) of $3.7 million reflects a decrease of $1.0 million from the FY 1983 appropriation. In addition, a rescission of $779 thousand has been proposed for FY 1983. We believe that ACS will still have ample resources to conduct their technical assistance and research activities for farm cooperatives.

Economics and Statistics

Timely and reliable agricultural statistics and sound economic analysis and forecasting are essential to everyone involved in agriculture -- producers, exporters, those involved in processing and marketing, and public policy officials at all levels of government. We consider it a basic responsibility of the Federal Government to maintain and improve these important programs.

Over the past couple of years, the Administration and the Congress have cooperated in actions that today make the economics and statistics agencies more efficient. These actions include selective reductions in surveys, establishing user charges for publications, and increased use of electronic data dissemination.

We will continue to pursue greater efficiency in these and other programs; however, increased operating costs, currently unmet data requirements and reduced reliability in some of our ongoing programs require increased funding support. We are, therefore, requesting moderate increases for the Statistical Research Service and the Economic Research Service (ERS) in fiscal year 1984. Probably our most important need is for better economic information on soil and water conservation. The proposals in the ERS budget have been carefully designed to meet expected needs of USDA policy officials from both the economics and program management perspectives. The information will be valuable to this Committee as well and I urge you to give the ERS proposals careful consideration.

Mr. Chairman, this concludes my formal statement. I appreciate the opportunity to present the Department's fiscal year 1984 proposals to the Committee and look forward to working with you.

I will be happy to address any specific concerns that you have.

PROPOSED LEGISLATION

MARKETING AND CONSUMER SERVICES

Food Safety and Inspection Service

Amendment to the Meat & Poultry Inspection Acts to Authorize "Less than Continuous" Inspection. This proposal would eliminate the "continuous" inspection requirement at meat and processing plants. The frequency of inspection of each facility will be based on criteria set out in the proposal.

Agricultural Marketing Service

Amendment to the Egg Products Inspection Act (EPIA) to Authorize "Less than Continuous" Inspection. This proposal would eliminate the "continuous" inspection requirement for other than breaking operations and permit the reduction of the number of surveillance visits to shell egg handlers.

Recovery of Costs Associated with Marketing Agreements and Orders through User Fees. This proposal would provide for recovery of the Department's administrative costs associated with the Federal Marketing Agreement and Order program, and provides for establishment of a trust fund for deposit of receipts.

Recovery of Costs for Operations Pursuant to the Plant Variety Protection Act through User Fees. Fees to cover the cost of handling new applications would be charged to breeders of sexually-reproduced plants who apply for protection under the Plant Variety Protection Act.

Recovery of Costs Associated with Printed Cotton and Tobacco Market News Reports through User Fees. This proposal would provide for the recovery of costs associated with the postage, printing and handling of printed cotton and tobacco market news reports.

Recovery of Costs Associated with Wool Promotion through User Fees. This proposal would provide for reimbursement of the costs incurred by the Department in the administration of the wool promotion program and for the conduct of the wool referendum.

MARKETING AND CONSUMER SERVICES

Animal and Plant Health Inspection Services

Recovery of Costs Associated with Plant and Animal Quarantine through User Fees. This proposal would allow USDA to prescribe changes for services provided to exporters requesting phytosanitary certificates for plants and plant products; importers and exporters of animals, animal products, or materials; for cleaning and disinfecting means of conveyance of animals; and to ensure that animals are transported humanely.

SMALL COMMUNITY AND RURAL DEVELOPMENT

Farmers Home Administration

Extension of Consolidated Farm and Rural Development Act to Assist Farmers and Other Rural People Who Are Unable to Obtain Credit Elsewhere. This proposal would extend the Act through FY 1986. The proposal will allow the Department to continue to provide a share of the financial assistance needed to sustain farmers and other residents in rural America using insured and guaranteed farm operating loans.

Extension of Title V of the Housing Act to Increase Local Autonomy as Well as to Reduce Dependence on the Federal Government as a Supplier of Credit. This proposal would revise Title V to provide for a block grant program to replace our existing rural housing programs. Grants would be made to States who could then design their own programs to assist low-income families in obtaining improved housing.

DEPARTMENTAL ADMINISTRATION

Office of Finance and Management

Provide for Additional Capitalization of the Working Capital Fund. This proposal would increase the authorized capital level of the fund. The capital would be derived from the value of the assets currently in the WCF, those assets which may be brought into the WCF at a future time as new activities are added, and such amounts as provided by appropriation acts.

NATURAL RESOURCES AND ENVIRONMENT

Forest Service

Permit the Reimbursement of Costs for Fire Fighters of Foreign Nations in Fighting U.S. Wildfires. The proposal would improve our wildfire fighting capability by allowing the Federal Government to reimburse foreign governments for costs they incur in wildfire prevention and suppression activities on U.S. Federal lands. The assistance would involve both manpower and equipment and we estimate the need for such assistance to occur 2 or 3 times each decade. The U.S. currently has authority to provide firefighting assistance to foreign nations.

Recovery of Costs through User Fees for National Forest Recreation Areas. This proposal would provide the authority to charge a reasonable fee to persons using National Forest recreation areas and facilities. The additional funds would support these areas and facilities over and above general revenue funds.

Authority for Disposal of Excess National Forest System Lands. Lands likely to be considered for disposal would include lands scattered, isolated, and in checkerboard ownership patterns, portions of the National Grasslands, and certain other lands already under paid special use permit. This proposal supports the President's Federal Assets Management program which calls for more efficient management of Federal properties and disposal of excess Federal lands.

FOOD AND CONSUMER SERVICES

Food and Nutrition Service

Amend the School Lunch Act and the Child Nutrition Act of 1966. This proposal will establish a General Nutrition Assistance Grant to replace Child Care, Summer, and School Breakfast Programs; establish an indexed reduced-price reimbursement rate for National School Lunch Program (NSLP); transfer responsibility for eligibility determination and verification for NSLP to the local food stamp office; delay by six months cost-of-living adjustments (COLA) for NSLP and Special Milk Program, and eliminate the Nutrition Education and Training Program (NET).

Amend the Food Stamp Act of 1977. The proposal will achieve administrative efficiencies through establishing a consolidated standard/shelter deduction; simplifying the earnings deduction; revising the household definition; and providing for simplified application procedures. Cost containment will be addressed through provisions for mandatory workfare; for standardized benefits for AFDC households; for assumption of responsibility for errors over three percent by the States in Fiscal Year 1984 and beyond, and a six month delay in COLA adjustments.

INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

Agricultural Stabilization and Conservation Service

Improve Programs for the Stabilization of Agricultural Prices and Production. The Secretary would be given authority to maintain target prices through 1985 at the same level as for the 1983 crops by amending the Agricultural Act of 1949. Currently dairy products are authorized to be donated overseas under Section 416 of the Agricultural Act of 1949. Section 416 of the Act would be expanded with this proposal to include agricultural commodities other than dairy products.

Colorado River Basin Salinity Control. This proposal would establish a separately funded program for salinity control in the Colorado River. The change allows for a more coordinated approach to planning, implementing, and evaluating the salinity control program.

Establish an Improved Program for Extra Long Staple Cotton. This proposal would repeal marketing quotas and suspend acreage allotments to permit greater freedom by farmers in determining the most efficient use of their resources. The proposal would also lower the minimum loan level, which would permit ELS to again compete with synthetic fibers and in world markets while still providing price protection and permitting orderly marketing.

Repeal the Mandatory Honey Price Support Program. This proposal would permit the Secretary to support the price of honey by means of loans, purchases, or other operations using discretionary authority in accordance with Section 301 of the Agricultural Act of 1949, as amended. This would amend the Act to allow the price of honey to be supported, taking into consideration the needs of beekeepers as well as the potential cost to consumers.

Reduce Number of Community Agricultural Stabilization and Conservation Committee Elections and Restructure Election Process. This proposal would change community committee elections from being held annually to only once every three years, which would increase stability and decrease costs.

STATEMENT OF WILLIAM G. LESHER

Mr. Chairman and Subcommittee members, I am pleased to appear before you today. As in past years, this testimony covers a broad range of subjects concerning the agricultural outlook in detail. I am submitting a detailed account for the record, and in my statement today I shall discuss the major issues facing the agricultural sector in 1983.

Appearing before you a year ago, I emphasized the importance of agriculture to the entire nation. I stressed that, in view of agriculture's significant contributions, the condition of the farm sector was of vital concern to the national economy. I also pointed out that agriculture was critically dependent on the general economy, both at home and abroad. Finally, I indicated that agriculture faced difficult financial prospects in the year ahead.

Unfortunately, very difficult financial times did occur last year--with poorer conditions than I or most others had anticipated. And as we move into 1983, farm prices and income remain too low, the farm debt is too heavy, and interest rates on existing debts are excessive. We find ourselves in this unusual situation because of record crop supplies facing weak global demand. We must help farmers cope with a weakened agricultural economy that is tied, in part, to past developments.

How Our Farm Problems Evolved

I would like to review these past developments with you--developments that shaped the farm problems we must address in the days and months ahead. Many of the forces behind our present farm problems are longer-term factors in U.S. agriculture and in world economic interrelationships.

Farm Output Responded to World Export Demand

The tight world food situation of the early 1970's triggered a decade of expansion by American farmers and increasing reliance on foreign markets, which today account for 2 out every 5 acres that U.S. farmers plant. U.S. farm exports tripled between 1971-1981, responding to rapid growth in the world economy and population and the declining value of the

U.S. dollar during that period. The U.S. economy was generally buoyant, producing strong growth in domestic demand, especially for livestock products.

Both farm prices and the underlying commodity price support levels rose. During this time, raising the price supports appeared to be a prudent policy as inflation and commodity prices moved upward. However, these events, coupled with more recent appreciation of the dollar, have elevated the domestic price "floors" under grain, cotton, oilseeds, sugar, and dairy prices above market-clearing levels. They also caused us to spend unprecedented amounts to support farm income through larger and larger deficiency payments as target prices also moved up.

With plentiful, easy credit and rising land values in the last decade, farmers escalated borrowing and made heavy capital investments with dramatic results. Since 1971, farmers have increased the area planted to principal crops--excluding hay--by more than 60 million acres. Heavier input use, availability of yield-boosting technology, and ideal weather in 1981 and 1982 pushed yields to new heights. Crop production per acre today is 17 percent above that of a decade ago; total U.S. crop production is up by fully one-fifth. Livestock production also expanded, rising by 7 percent over the period.

With rising prices and land values, farmers who borrowed to expand their operations tended to earn a better rate of return than those with higher equity. Rapid inflation in recent years fueled additional borrowing to cover annual production expenses. Consequently, farm debt has tripled in the last decade, and interest payments now account for $1 in every $7 that farmers spend for their operation.

Thus, during the 1970's, agriculture's capability to produce was greatly expanded in response to rising requirements, particularly in the export market. But in the early 1980's this increased production capacity, coupled with very favorable growing conditions in the past 2 years and demand greatly weakened by sluggish economic conditions around the world, worked together to push down commodity prices to unacceptable levels.

Global Demand Changes Course

American farmers have become especially vulnerable to fluctuations in world trade and world market prices. For the past several years, U.S. and world crop production has set new records, but global demand for agricultural products has switched from a high-growth path to one of little or no growth.

The world economic problems of the early 1980's have had a depressing impact on consumption of agricultural products. For example, during the last two decades, global coarse grain consumption rose on average about 16 million tons per year as diets were upgraded with more animal-product foods. Yet, since 1979/80, growth in meat production has stopped and coarse grain consumption has nearly flattened out. World wheat consumption, which had increased by over 10 million tons annually during the past two decades, has increased by only 10 million tons since 1979/80. Cotton consumption is in a similar situation, since mill use is sensitive to economic conditions. World soybean usage, however, has continued about on trend.

The slowing in U.S. export markets is of particular concern. U.S. farm exports dropped for the first time in 13 years in fiscal 1982. Volume dropped 2 percent below the previous fiscal year, but value plunged 11 percent because of lower prices. Corn exports were hardest hit, dropping by 10 million tons and $3 billion in value.

Eroding the sources of strength in U.S. agricultural exports have been weak economic conditions throughout the world, financial instability in a number of countries, the strong U.S. dollar, losses related to the Soviet embargo, continued East-West tensions, unfair trade practices by some of our competitors, and restrictive market actions by some of our buyers. I would like to address each of these issues briefly.

World Economies are In Grips of Recession

The world is in the grips of recession. The industrial market economies barely grew in 1982, and the U.S. economy declined. Developing countries, important to agricultural trade, grew by about 2.3 percent in

1982, well below the 5.4 percent annual growth rate for 1970-79. Thus, more production is available in the face of weakened demand. As a result, prices have dropped and stocks have accumulated. Difficult trade tensions--which have escalated recently--will continue until the worldwide economic situation improves and other countries reduce their export subsidies and trade barriers.

Financial Instability Hurts U.S. Exports

U.S. recovery will help stimulate other economies, but the process will take time. Despite anticipated modest global economic growth, demand for farm products will be tempered by lingering high unemployment levels. Financial crises in a large number of countries have forced curtailment of food imports; monetary problems in Eastern Europe and Mexico have dealt significant setbacks to U.S. trade. U.S. grain exports to these markets dropped by over 40 percent in 1981/82.

Interest Rates Drive Up Value of Dollar

Foreign investors, seeking a haven of safety and high interest rates, have been helping drive up the dollar's value. Even though U.S. interest rates dropped recently, they still offer favorable real returns to foreign investors. With U.S. economic recovery in sight, the dollar may not weaken greatly in 1983. The strong dollar increases the price of U.S. farm products to foreign customers. Over the past year, our farmers have received sharply lower prices, but after accounting for exchange rates, prices paid by importers have risen. For example, even though the price of wheat was declining in domestic markets, the price to many foreign purchasers in terms of their currencies grew over a third--and as much as 100 percent in the case of Brazil. More importantly, in a longer-term sense, the dollar appreciation has accelerated the increase in our price floors in the eyes of our customers.

Embargo Hurt U.S. Exports to USSR

Our share of Soviet grain imports slipped from around 70 percent in the late 1970's to 17 percent following the U.S. embargo with the Soviet Union in 1980; it recovered to over 30 percent in the past year. The problem of reliability, coupled with continued East-West tensions, continues to cloud our trade prospects with the Soviet Union. Soviet grain imports during 1982/83 will be smaller, and the United States will have to work hard to recover a larger share of the Soviet market. President Reagan has taken more actions than any of his predecessors to reassure our trading partners, but regaining our reputation as a reliable supplier and overcoming the negative impacts of the embargo will take years.

Unfair Trade Practices Undercut U.S. Markets

U.S. farm export markets also are being seriously undercut by unfair competition from the European Community (EC) and other nations. The EC has become the second largest exporter of farm products by spending upwards of $7 billion annually in subsidies. For example, in the Middle East the EC share of the whole-chicken import market rose from only 3 percent in 1964 to 46 percent in 1980. During the same period, the U.S. share of the Middle East whole-chicken import market declined sharply.

Some headway has been made in discussions with the EC informally or formally through the procedures provided under the General Agreements on Trade and Tariffs (GATT). However, the U.S. Department of Agriculture recently announced a flour sale to Egypt whereby CCC stocks of wheat will be used to enable U.S. suppliers to contract for the sale and delivery to the Egyptian market at the agreed price. While small, this indicates that if necessary, we are prepared to take steps to improve the competitiveness of our exports. It is essential that we continue to pursue policies that help us maintain our market shares until others reduce the enormous subsidies and subject their farmers more directly to market forces.

Gap Between Production and Use Widens

Excellent weather during the past 2 years also has helped widen the gap between crop production and use. In 1981, larger U.S. grain crops were an important factor in the global increase. In 1982, with widespread good weather, world grain production surpassed the 1.5-billion-ton mark and U.S. grain output topped its 1981 record. Grain production increased in a number of importing countries, especially the Soviet Union and China. Weather also contributed to a sharp jump in world production of oilseeds in 1982, another large sugar crop, and large cotton crops in foreign countries. These weather-related developments dampened U.S. exports.

U.S. Accounts for Most of World Stocks Increase

With consumption of agricultural commodities depressed by deteriorating economic conditions for the last several years, rising production has caused stocks to accumulate sharply, particularly in the United States. By the end of the 1982/83 marketing year, world grain stocks are likely to be at the highest level in relation to use in more than a decade. Of projected global stocks of over 260 million tons, nearly 60 percent will be located in the United States. These levels of carryover stocks are simply too large for the United States to hold as they depress prices, no matter how tight free stocks become. We have seen sharp reductions in free stocks in recent years as the farmer-owned reserve was activated to strengthen markets. However, prices responded very little since domestic and foreign buyers, aware of the large stock overhang, were taking hand-to-mouth inventory positions and delaying purchases until new crop harvests offset any tightening in free stocks.

U.S. stocks of nearly all major commodities are expected to increase dramatically. By the end of the current 1982/83 crop year, compared with 2 years earlier, U.S. ending stocks of rice and coarse grain will have tripled. Cotton stocks will be nearly 3 times larger than 2 years before. Wheat stocks will be half again as large, and U.S. soybean stocks will have risen by over one-third.

This prospective buildup in stocks, following last year's increase, has kept pressure on farm prices. These depressed prices, coupled with modest increases in production expenses, are keeping farm income at a reduced level for the third consecutive year. This brings us back to my initial comments about the difficult financial conditions of the Nation's farmers.

Outlook for 1983

What lies ahead for agriculture is the topic of much debate. The outlook for 1983 is seen by many as one of reduced cash flow and low farm income. There is little basis for expecting a significant short-term improvement. But, as we move further into the 1980's, I'm optimistic that farm financial conditions will improve. I believe the groundwork has been laid for reducing supplies and expanding demand as world economies turn around. Already there are indications that conditions are headed for improvement. These include recent crop price strength and the continued slowing of the increase in farm production expenses. But why do I say this?

Domestic Demand Depends on Economic Strength

Prospects for agricultural prosperity are directly tied to both domestic and export markets. Since the domestic market still is our number one market, let me first mention some related developments and prospects.

The health of the domestic market depends importantly on the strength of the economy. Thus, agriculture has a big stake in the first priority of Government--to help build and maintain a vital, strong and expanding job-making economy.

The President, in his State of the Union address, stressed the need for improving the health of the domestic economy--keeping down inflationary pressures, further reducing interest rates and enhancing job prospects. He also emphasized that U.S. economic well-being is tied strongly to the world economy, with 1 out of every 5 U.S. jobs depending on trade. In the year ahead, the President will seek a broader trade strategy that removes barriers and gets more U.S. products into foreign markets.

Economic Recovery in Sight

A good start has been made in the past 2 years. The 1980 inflation rate of 13-1/2 percent recently has been cut to about 5 percent. The prime interest rate of 20 percent or more in 1980 has been cut to 11 percent. In December, the prices that farmers paid for all commodities--including services, interest, taxes, and wage rates--were 3.3 percent higher than a year ago, compared with a 12-percent increase in 1980.

With the moderate rise in prices paid for inputs and a slight cut in overall input use, farm production expenses increased only about 2 percent last year, the smallest rise since 1964. Production expenses in 1983 may remain near the 1982 level with a likely decline in expenses for short-term interest, fertilizer and fuel.

A recovery in the economy in 1983 has important implications for the demand for agricultural products in coming months and years. Increasing employment and higher consumer incomes will stimulate the demand for farm products. Prices for livestock and poultry products should be the first to benefit from growth in the economy.

Reduced Supplies to Face Expanded Demand

In contrast to recent years, an expansion in demand in coming months is expected to face reduced production. On January 11, President Reagan announced a Payment-In-Kind (PIK) Program for 1983 crops of wheat, corn, grain sorghum, rice, and upland cotton. The basic concept of the PIK program is that farmers are offered an amount of commodity as payment for reducing acreage, over and above the acreage reduction program already announced for 1983 crops. Indications are that producers will find the program attractive and significant acreages will be removed from 1983 production.

We don't expect to completely liquidate burdensome stocks in 1983/84, so PIK also may be needed in 1984. We see this as a transitional program reducing crop supplies until demand turns around, both in the United States and abroad.

Exports Are Critical to Increased Demand

Let me turn now to the U.S. export market, a source of rapid growth in the 1970's and a market with much potential for the rest of the 1980's. Competition will be intense in the years ahead, since other exporters are also looking to world markets and insulating their own trade from world market conditions. Let me assure you that agricultural trade problems are receiving the highest priority and we intend to remain competitive in world markets. We have a responsibility to help American farmers capitalize on their efficiency by working to keep international agricultural markets competitive; to free up trade restrictions; and to counteract subsidized farm exports where American farmers must compete against foreign treasuries.

Where we are not successful in freeing up trade, or removing obstacles, or reducing foreign export subsidies, then we need to aggressively protect our markets. We also favor using a greater share of our available public funds in aggressive programs to expand exports. On January 11, the President announced a $1.25-billion-"blended credit" program--interest-free direct export credits blended with Government-guaranteed private credit--to expand agricultural exports through lower interest rates on those exports. This is in addition to the 3-year $1.5 billion authorized in late 1982. Also, on January 11, the President signed into law the contract sanctity legislation which will strengthen our reputation as a reliable supplier of commodities in world markets. In short, while world demand may not grow as much as in the past, we will pursue policies to protect our market share and be there when the demand starts to grow again.

Agriculture In Transition

I am confident that the foundation is in place for a return to prosperity for U.S. farmers, but I cannot claim that it will be either a quick or easy process.

1983/84 Is A Turning Point

The farm economy faces a period of transition, a time when we must temporarily reduce crop production to cut into burdensome stocks and when demand expansion awaits economic recovery at home and abroad. As supply and demand come into a better balance, we will see significant improvement in farm financial conditions.

I see 1983/84 as a turning point for the U.S. farm economy. Crop farmers should realize slightly higher prices and receive a high level of Government payments, while livestock producer-returns will continue to benefit from reduced pork supplies. With production expenses remaining at or below the 1982 level, net farm income, not including inventory adjustments, could be close to last year's level of $20.2 billion.

I would like to mention some of the steps that have been undertaken to help farmers during this transitional period. We announced the 1983 farm commodity programs early and made advanced deficiency and diversion payments. We provided a record of nearly $12 billion in financial assistance to farmers in fiscal 1982, of which about four-fifths was in the form of commodity-secured loans that farmers will repay or turn the commodities over to the Government to sell, and the remainder included direct payments to farmers to supplement farm income. For fiscal 1983, we expect these outlays to grow to over $18 billion.

Mr. Chairman, we have been emphasizing points that you have made many times. A viable, productive agriculture provides the American consumer with a stable supply of high quality food at one of the lowest costs in the world.

Agriculture's record output has been instrumental in keeping the farm sector's share of food price increases over the last 3 years to less than 12 percent, compared to a 33 percent general rate of inflation. If farm price increases had matched the general inflation rate, American consumers would be spending $15 billion more for food this year. In addition, had farm prices increased at the general rate of inflation, both the Government and the private sector would have paid $5 billion or more in 1982 in payments for food stamps, welfare and related Federal programs, and public and private retirement tied to the cost of living. These savings, coupled with the contribution that agricultural export earnings made to the U.S. trade balance and increased employment, more than offset outlays to support agriculture, even after providing for 1982's unusually large total.

I also am confident that you will agree with me that our common desire to rejuvenate U.S. agriculture should not blind us to the dangers of asking Government to go beyond what history has shown to be its capabilities. Longer-term prosperity for agriculture still depends on a strong, market-oriented agricultural policy with minimum Government intervention. We must get market prices higher to strengthen the farm economy and reduce our expenditures for farm price supports. We are taking some bold steps to accomplish this. However, we also must work together to make sure that after this transitional period we have farm policies in place that serve agriculture well in the long run. If not, we risk reducing the size of the U.S. agricultural sector permanently--something none of us would consider good for the nation.

Thank you, Mr. Chairman. I will be happy to respond to any questions that you or other Members may have.

AGRICULTURAL OUTLOOK IN DETAIL

Farm Financial Conditions

- Economic conditions in agriculture have not been favorable for farmers during the past 3 years. In 1982, prices received by U.S. farmers averaged 4 percent lower than in 1981 as crop prices fell 9 percent, more than offsetting a slight rise in livestock prices. Two consecutive years of record crop production and continuing weak domestic and world demand kept downward pressure on crop prices in 1982. In contrast, prices paid by farmers rose 3 percent, the third consecutive year in which prices paid outstripped prices received. However, the rate of increase in prices paid was the lowest since 1968.

- Net farm income in 1982 before adjustment for inventories is estimated to have risen slightly above that of 1981, as an increase in gross farm income more than offset a small increase in production expenses. After adjusting for inventories, net farm income declined about 19 percent over the inventory-inflated 1981 net income.

- Total cash receipts from marketings remained about the same as 1981. Livestock receipts increased slightly, but crop receipts fell marginally as lower crop prices offset increased marketings from the record large output of 1981 and 1982.

- Direct Government payments rose substantially in 1982 to about $3.5 billion as lower farm prices triggered deficiency payments on most program crops. Increased entries into the farmer-owned reserve caused reserve storage payments to rise to over $800 million--more than triple the 1981 outlay. Advanced payments on 1982 and 1983 crops also contributed to farm cash flow in the last quarter of 1982.

- Many uncertainties underlie the cash receipts outlook for 1983 including: farmers' participation in announced farm programs and the programs' effect on domestic crop output in 1983; the strength of the expected economic recovery and its effect on domestic and world demand; and world crop output and U.S. exports. Crop receipts will likely decline given reduced marketings in the second half of the year, but part of this could be offset by PIK transfers. Livestock receipts will likely rise somewhat if total meat production remains low and demand begins to rise with increased economic activity.

- Production expenses in 1983 are expected to remain near the 1982 level, with the PIK program shaving over $2.5 billion from previously expected expenses. Participation in the PIK program should be strong and lead to significant reductions in acreage planted to major crops. This portends reductions in input use, especially for such items as fertilizer, seed, pesticides, fuels, and operating credit. Outlays for feed and livestock purchases will likely rise modestly in 1983. Interest expenses will likely decline as short-term credit needs fall and the average interest rate on outstanding debt declines.

- Rising livestock receipts and Government payments should offset lower crop receipts to keep gross farm income near the 1982 level. With production expenses near their 1982 levels, realized net farm income in 1983 will also likely stay at or slightly below the expected 1982 level of $20.4 billion. After adjusting for a negative inventory change, 1983 net farm income could fall within a range of $16 to $20 billion. An improvement in farm income is likely in 1984 as the large crop stocks are reduced through the PIK program, and the general economy improves.

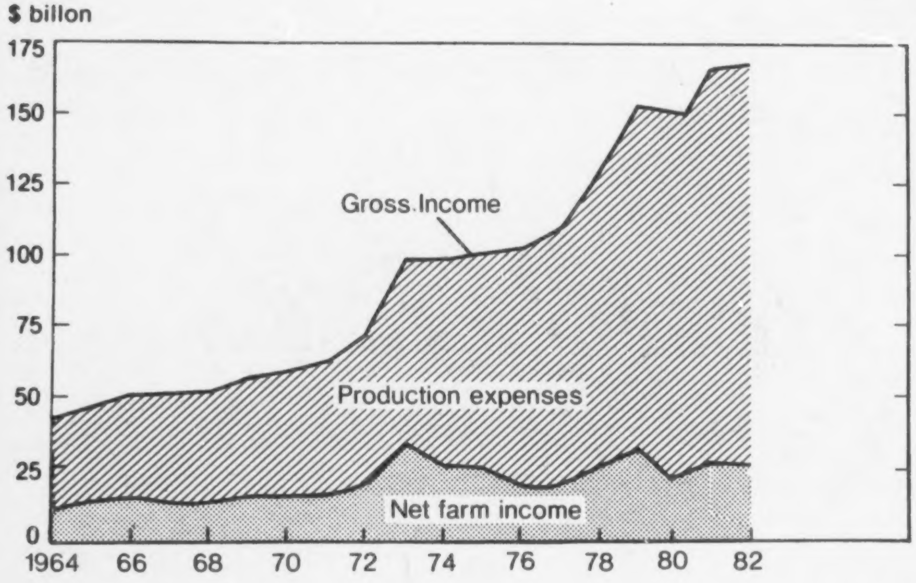
- Interest rates on new farm loans continued to rise during 1982, but began to fall in the latter part of the year. Production Credit Associations charged an average of 14.60 percent on new operating loans, up marginally from 14.51 percent in 1981. Federal Land Bank rates averaged 12.30 percent in 1982 compared with 11.27 percent in 1981. Both PCA and FLB interest rates are expected to decline in 1983.

- Total farm debt was estimated at $215 billion on January 1, 1983, up nearly 7 percent from 1982. Real estate and nonreal estate debt (including CCC debt) rose 4 and 9 percent, respectively. CCC debt rose nearly 70 percent during 1982 as low market prices made CCC loans attractive. The value of total farm assets fell 2 percent to $1,070 billion, with a 4-percent decline in real estate assets offsetting a 4.8 percent increase in nonreal estate assets.

- In real terms, the value of farm real estate assets declined 10 percent, the third consecutive real decline. This decline reflected continuing low farm income and relatively high interest rates. In addition, the debt-to-asset ratio, although low in comparison to many sectors of the economy, increased for the fourth straight year in 1982.

- Equity per farm fell nearly 3 percent in 1982 as farmland values decline

Aggregate Farm Income



1982 forecast

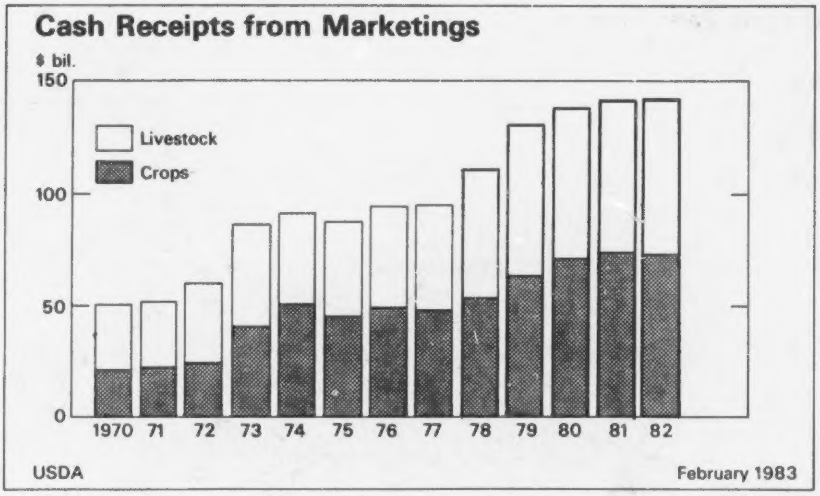
USDA

February 1983

Net Farm Income 1/

Item	1970	1975	1977	1978	1979	1980	1981	1982
				- - - Billion dollars - - -				
Gross income	58.7	101.0	108.6	127.2	151.3	150.6	166.8	164.8
Expenses	44.4	75.8	90.2	100.6	119.0	130.5	141.6	144.4
Net farm income	14.2	25.2	18.4	26.7	32.3	20.1	25.1	20.4

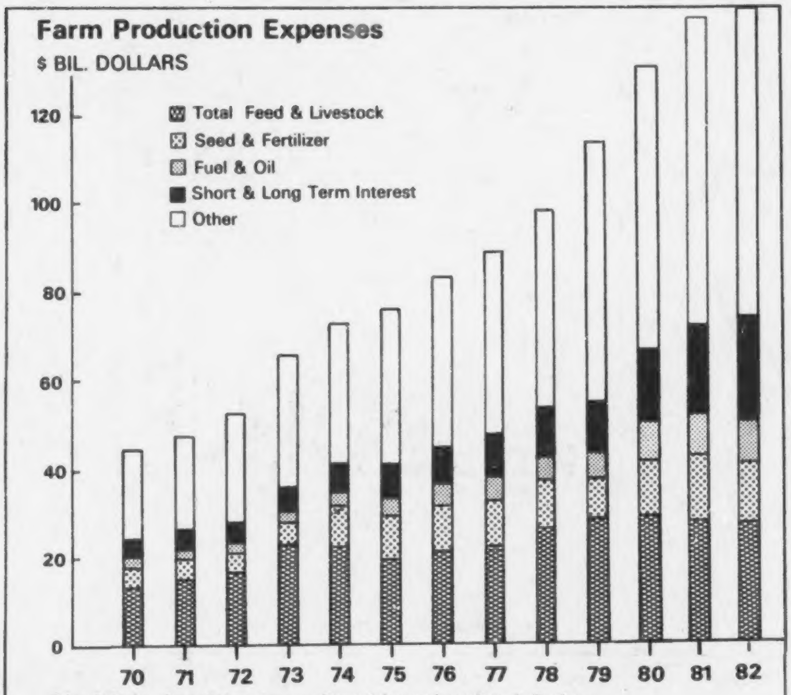
1/ Calendar year. Totals may not sum due to rounding.



Cash Receipts from Farm Marketings 1/

Item	1970	1975	1977	1979	1980	1981	1982
				- - - Billion dollars - - -			
Livestock	29.5	43.1	47.6	68.6	67.8	68.5	69.2
Crops	21.0	45.8	48.6	63.1	71.7	75.0	74.8
Total	50.5	88.9	96.2	131.7	139.5	143.5	144.0

1/ Calendar year.



Other includes depreciation, taxes and rent, labor and repair and all others.

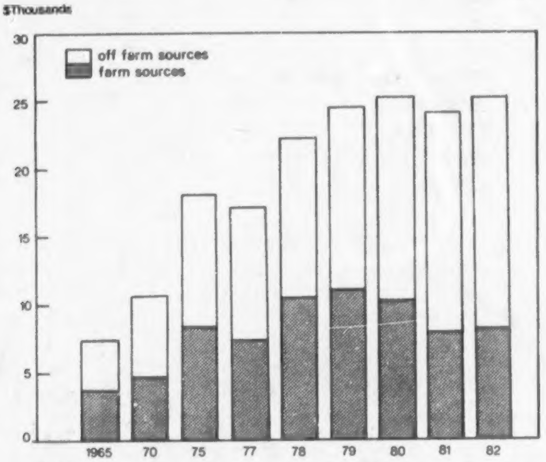
USDA-ERS FEBRUARY 1983

Farm Production Expenses

Item	1970	1975	1977	1979	1980	1981	1982
				Billion dollars			
Feed and livestock purchased, total	12.4	17.1	21.0	30.5	29.2	27.8	26.7
Seed & fertilizer, total	3.4	8.8	9.0	10.5	13.3	14.0	13.4
Fertilizer	2.3	6.0	6.3	7.2	9.5	9.6	9.4
Fuels and oils	1.7	3.3	4.4	6.3	8.1	9.3	8.8
Short & long term interest	3.4	6.4	8.3	12.7	15.8	19.7	23.0
Taxes and rent	4.7	7.9	8.0	9.3	9.9	11.1	10.8
Depreciation	6.8	12.6	15.3	19.7	22.0	23.8	25.0
Other 1/	12.3	19.5	24.3	30.0	32.2	35.9	36.7
Total production expenses	44.4	75.8	90.2	119.0	130.5	141.6	144.4

1/ Other expenses includes hired labor, repair and all other expenses.

Income Per Farm



1982 forecast.

USDA

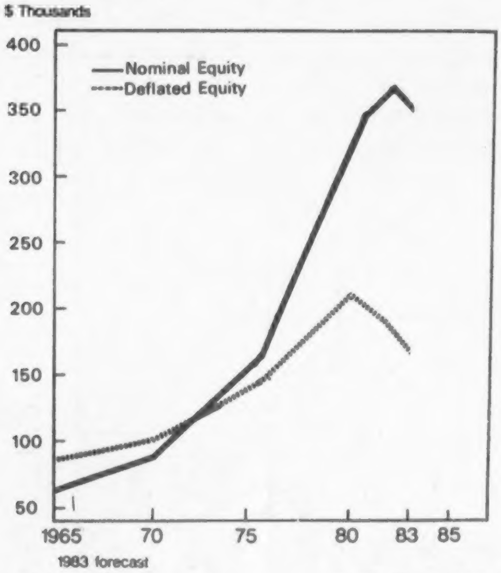
February 1983

Income Per Farm, All Sources

Item	1965	1970	1975	1977	1978	1979	1980	1981	1982 1/
					---Thousand Dollars---				
Income per farm:									
Farm sources	3.5	4.8	8.7	7.1	10.5	11.0	10.1	8.0	8.5
Off-farm sources	3.8	6.0	9.5	10.4	11.8	13.9	15.1	16.1	17.1
Total	7.3	10.8	18.2	17.5	22.3	24.9	25.2	24.1	25.6
Percent off-farm	52.1	55.6	52.2	59.4	52.9	55.8	59.9	66.8	66.8

1/ Forecast.

Equity Per Farm



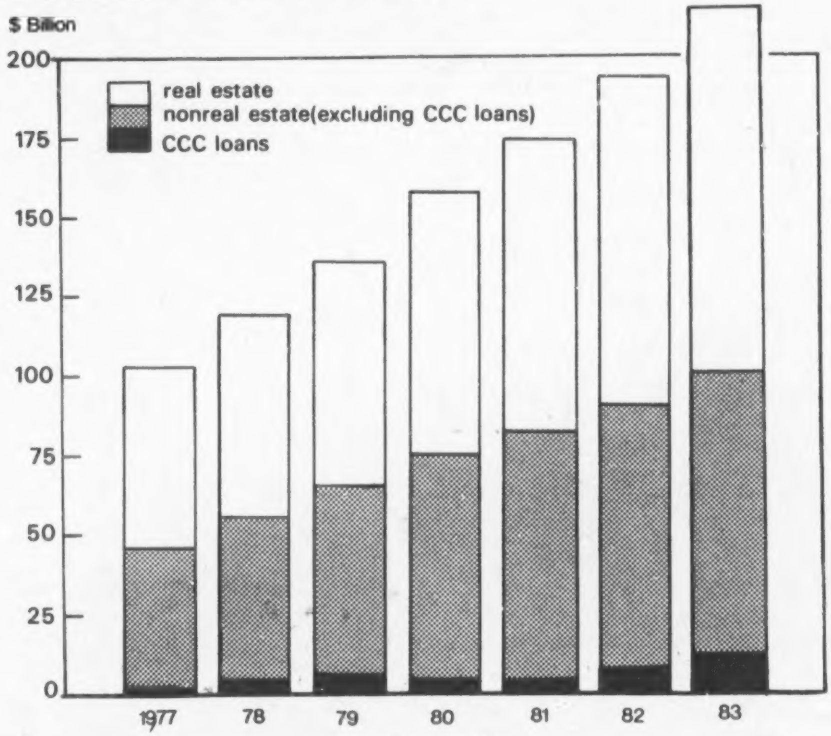
USDA February 1983

Farm Balance Sheet

Item	1970	1975	1977	1978	1979	1980	1981	1982 2/	1983 3/
					---Billion dollars---				
Assets (Jan. 1)	314.9	502.6	664.2	736.3	873.4	1,004.8	1,091.0	1,091.8	1,070.0
Real estate	215.8	359.7	496.4	554.7	655.0	755.0	830.0	823.8	789.1
Other	99.1	142.9	167.8	181.6	218.4	249.4	261.0	268.0	280.9
Liabilities	53.0	81.8	102.7	119.3	136.5	158.4	175.2	194.9	215.0
Real estate	29.2	46.3	56.6	63.7	70.8	82.7	92.0	102.0	110.0
Other	23.8	35.5	46.1	55.6	65.7	75.7	83.2	92.9	105.0
Equity	261.9	422.8	561.6	617.0	736.9	846.4	915.8	896.9	854.9
					---Dollars---				
(Current Dollars)									
Nominal equity per farm	88,810	166,918	228,664	253,284	303,251	348,600	375,944	368,034	350,800
Deflated equity per farm: 1972=100 1/	102,327	145,247	163,331	181,137	201,630	213,341	210,495	188,253	169,223

1/ Deflated by the GNP implicit deflator for the previous year.
2/ Preliminary.
3/ Forecast.

Composition of U.S. Farm Debt



1983 FORECAST

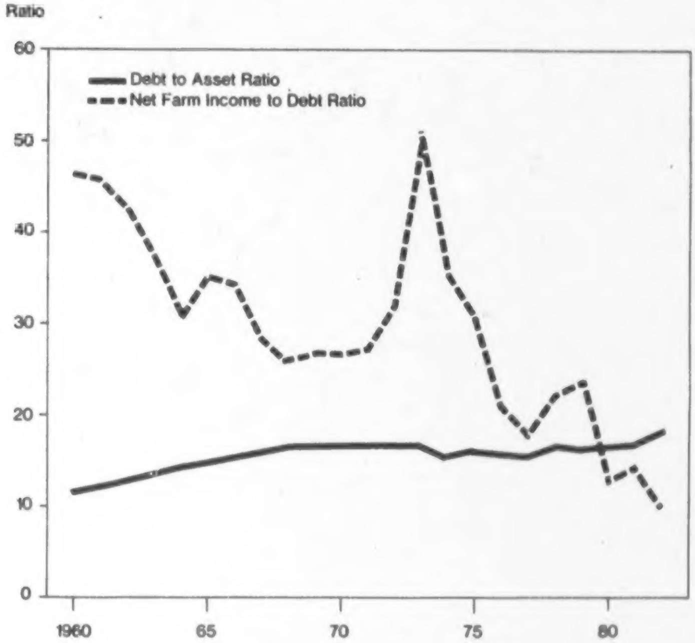
USDA

February 1983

Total U.S. Farm Debt

Item	1977	1978	1979	1980	1981	1982	1983
	Billion dollars						
Farm debt outstanding on Jan. 1:							
Real estate	56.6	63.7	70.8	82.7	92.0	102.0	110.0
Nonreal estate (excluding CCC loans)	45.0	51.1	60.0	70.7	78.2	84.8	91.5
Commodity Credit Corporation loans	1.0	4.5	5.7	5.1	5.0	8.0	13.6
Total farm debt	102.7	119.3	136.5	158.4	175.2	194.9	215.0

Selected Financial Ratios



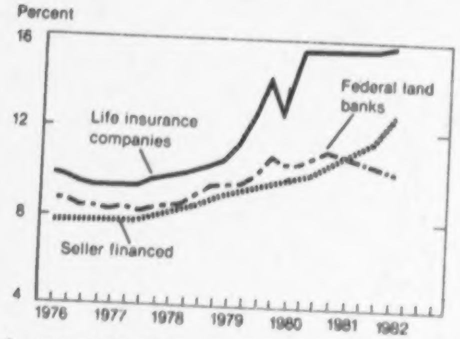
USDA February 1983

Selected Financial Ratios

Ratio	1960	1965	1970	1975	1977	1979	1981	1982
Debt to asset ratio	11.8	15.1	16.8	16.3	15.6	16.1	16.7	18.5
Net farm income to debt ratio	46.4	34.4	27.2	30.8	17.9	23.7	14.3	10.0
Prices received to prices paid ratio 1/	118	115	109	113	100	107	92	86

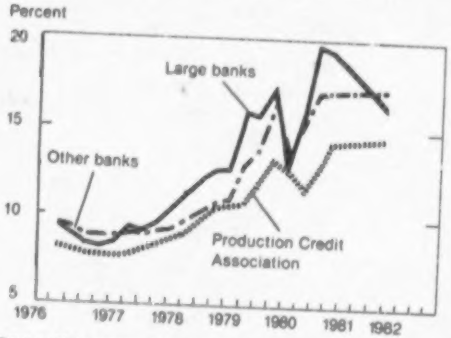
1/ 1977 = 100.

Interest Rates on Farm Real Estate Loans



Quarterly data life insurance companies (new commitments) and Federal Land Banks (new loans). Semiannual data for seller financed, annual beginning in 1980. Federal Land Bank rates do not include charge for the stock borrowers are required to buy.

Interest Rates on Farm Nonreal Estate Loans



Rates on PCA loans include service fees. Bank data starting in 1977 are from surveys made by the Federal Reserve System; data for prior years relate to different groupings of banks, collected by the Federal Reserve System and the Federal Reserve Bank of Minneapolis.

Yearly Average Interest Rates on New Farm Loans*

Item	1975	1976	1977	1978	1979	1980	1981	Preliminary 1982
Nonreal estimate	9.25	8.87	8.46	9.47	11.82	14.53	17.48	15.94
Production Credit Assn.	9.13	8.35	7.90	8.75	10.58	12.74	14.46	14.58
Large banks	9.60	9.13	8.55	10.25	13.60	15.90	19.78	16.20
Other banks	9.03	9.13	8.93	9.40	11.28	14.95	18.20	17.05
Real estate	8.79	8.73	8.49	8.64	9.41	10.95	11.85	12.84
Seller financed	7.60	7.70	7.80	7.95	8.50	9.10 1/	9.80 1/	10.30 1/
Federal land banks	8.73	8.68	8.35	8.38	9.20	10.39	11.27	12.27
Life insurance companies	10.03	9.80	9.33	9.58	10.53	13.35	15.42	15.94 2/

*Arithmetic average, not weighted.

1/ First quarter reading only.
2/ Average of first three quarters due to data availability.

Aggregate Output and Prices

* U.S. farm output in 1982 was up about 2 percent over 1981. Excellent growing weather led to the second straight record crop output despite a 1-percent decline in planted acreage and reduced fertilizer use. Livestock output fell slightly in 1982.

* U.S. crop output set the third record in the past 4 years because of record output of feed grains, hay and forage, vegetables, and soybeans. Higher yields generally produced the record outturn as acreage planted and harvested for many major crops declined. Livestock output fell slightly as lower production of pork, turkeys, and eggs offset increased output of milk, cattle, and broilers.

* Farm output is expected to decline in 1983 as planted acreage declines sharply because of announced farm programs. Reductions in production are necessary to bring supplies into better balance with use during 1983/84 and to strengthen prices. Livestock output may remain at a reduced level if weak demand continues to press producers' margins.

* Prices received by U.S. farmers in 1982 averaged 4 percent below the 1981 level, with 10-percent lower average crop prices more than offsetting a 1-percent gain in livestock prices. Crop prices averaged below year-earlier levels each month with the exception of September, while livestock prices averaged above year-earlier levels for every month but January and February.

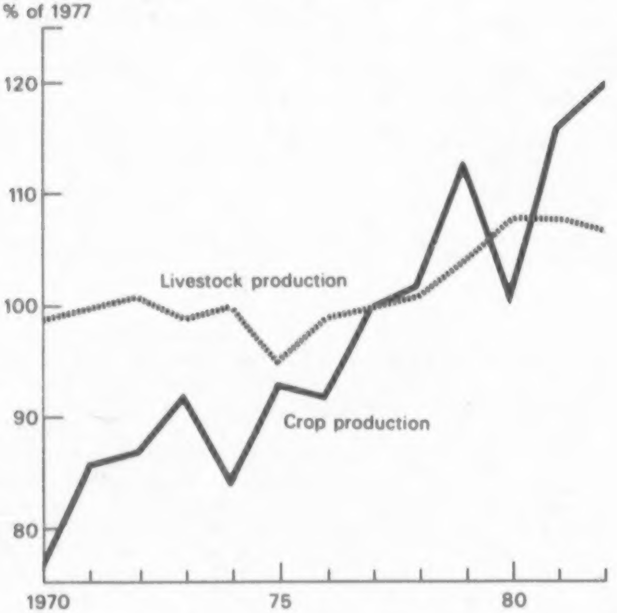
* While commodity prices were declining, prices paid by farmers rose about 4 percent, mirroring the slowdown in the general inflation rate. This was the smallest rise in prices paid since 1968 but it was also the third consecutive year in which prices paid exceeded prices received. Declining prices for feed and fuels were offset by increasing prices for machinery, chemicals, and motor supplies. Prices paid for fertilizer and feeder livestock remained near 1981 levels.

* Farm prices during the first-half of 1983 will be under pressure from relatively large supplies and sluggish demand. Second-half prices may benefit from prospective stock reductions and smaller crop output due to reduced crop acreage and the PIK program. The beginning of the expected upturn in the economy, the third installment of the U.S. income tax cut, and a further reduction in pork output also will help. Prices paid by farmers are expected to rise again moderately in 1983 with a slowing in the general inflation rate and reduced demand for major farm inputs caused by the farm program acreage reductions.

* The U.S. economy remained weak in 1981 and 1982 as the recovery from the 1980 recession was choked off by high interest rates. This caused the economy to slide into another recession that lasted through 1982. The outlook is for a weak economic recovery in 1983.

* World economic activity in 1983 is expected to recover from 1982's disappointing performance, particularly in developed market countries. Growth in Europe will probably remain very weak, owing to low consumption and export growth. Japan's performance will improve, especially in domestic consumption and, if auto sales to the United States continue to advance, in exports.

U.S. Crop and Livestock Production



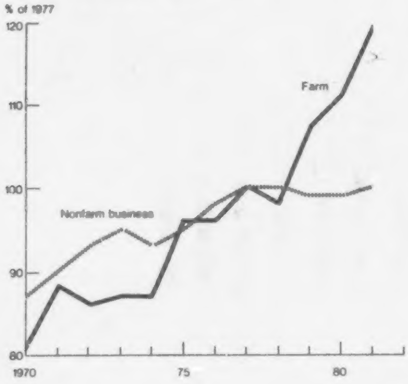
USDA 1981 Preliminary February 1983

U.S. Crop and Livestock Production

Item	1975	1976	1977	1978	1979	1980	1981	1982
			- - -	Percent of 1977	- - -			
Farm output	95	97	100	104	111	103	115	117
Crops	93	92	100	102	113	101	116	120
Livestock	95	99	100	101	104	108	108	107

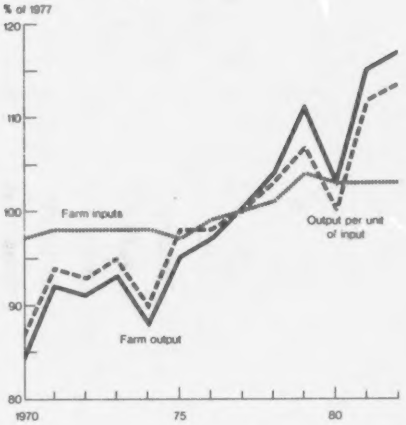
Farm Output and Productivity

Output Per Hour of Labor



1982 Preliminary

Farm Productivity



USDA

February 1983

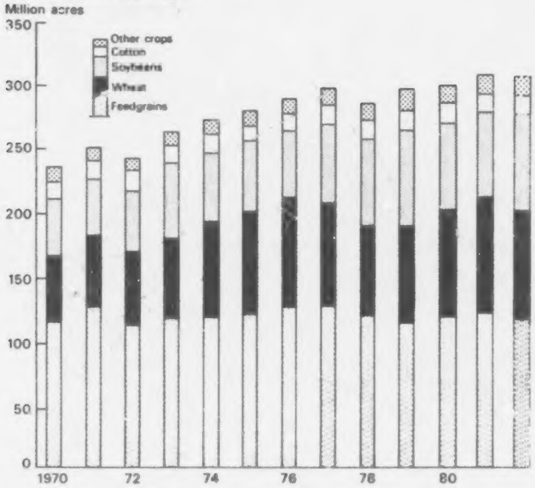
Farm Output and Productivity

Item	1970	1975	1977	1979	1980	1981	1982 1/
	- - - Percent of 1977 - - -						
Farm output	84	95	100	111	103	115	117
Crop	77	93	100	113	101	116	120
Livestock	99	95	100	104	108	108	107
Farm inputs	97	97	100	104	103	103	N.A.
Output per man-hour:							
Farm	81	96	100	111	111	119	N.A.
Nonfarm business	87	95	100	99	99	100	N.A.

1/ Preliminary.

N.A. = Not available.

U.S. Planted Acreages



Other includes rice, sunflowers, rye, flaxseed, dry edible beans, sugarbeets, and sugarcane

USDA February 1983

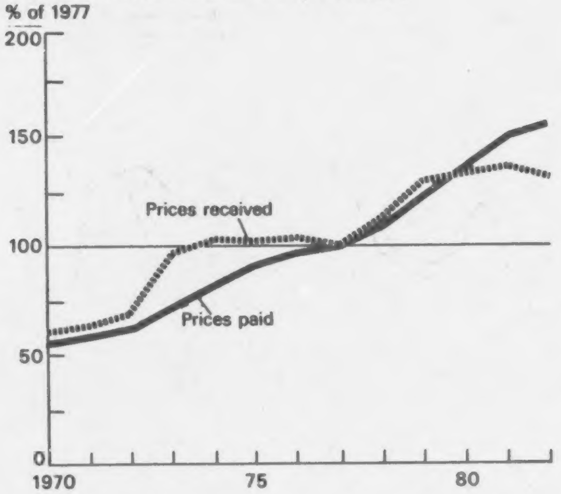
U.S. Planted Acreages

Item	1975	1976	1977	1978	1979	1980	1981	1982
	---Million acres---							
Feedgrains	122.6	128.6	129.4	124.3	118.8	121.3	123.5	121.9
Wheat	74.9	80.4	75.4	66.0	71.4	80.6	88.9	87.3
Soybeans	54.6	50.3	59.0	64.7	71.6	70.0	67.8	72.2
Cotton	9.5	11.6	13.7	13.4	14.0	14.5	14.3	11.5
Other crops	10.3	9.0	10.3	11.1	15.6	14.4	15.3	13.5
Major crop plantings, total 1/	271.9	279.9	287.8	279.5	291.4	300.8	309.9	306.4
Set-aside & diverted	2.4	2.1	1.0	17.0	11.8 2/	---	---	10.6

1/ Includes corn, sorghum, barley, oats, wheat, soybeans, cotton, rice, sunflowers, rye, flaxseed, dry edible beans, sugarbeets, and sugarcane.

2/ Does not include 1.2 million acres of wheat in special grazing and hay program in 1978 and an estimated 0.9 million in 1979.

Prices Received and Paid by Farmers



Prices paid includes commodities and services, interest, taxes, and wage rates.

USDA

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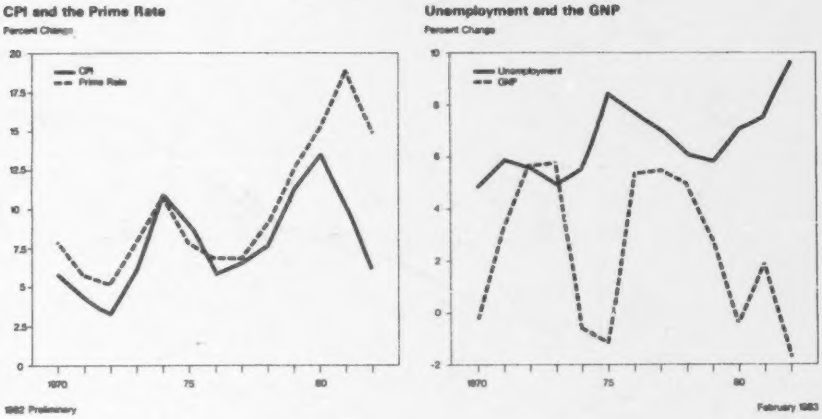
Prices Received and Paid by Farmers

Item	1974	1975	1976	1977	1978	1979	1980	1981	1982
	- - - Percent of 1977 - - -								
Prices received (all commodities)	105	101	102	100	115	132	134	138	133
Crops	117	105	102	100	105	116	125	134	121
Livestock products	94	98	101	100	124	147	144	142	144
Prices paid	81	89	95	100	108	123	138	150	155
Wage rates	79	85	93	100	107	117	127	136	136
Machinery 1/	68	82	91	100	109	122	136	152	165
Energy and Fuels	79	88	93	100	105	137	188	213	210
Fertilizer	92	120	102	100	100	108	134	144	144

1/ Tractors and self-propelled machinery.

U.S. Economic Conditions

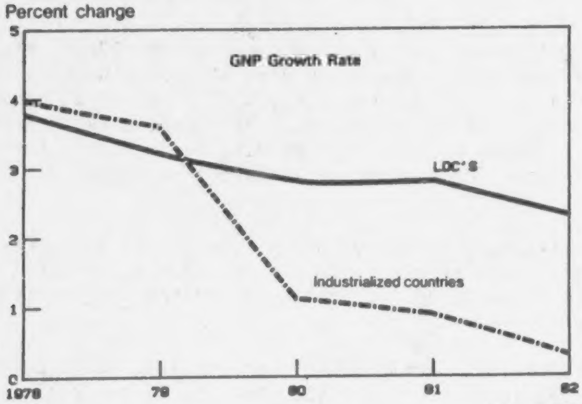


U.S. Economic Conditions

Year	Real per capita disposable income	Percent change in GNP	Unemployment	Prime rate	Percent change in CPI
1970	3668.0	-.20000	4.9000	7.9100	5.9
1971	3763.0	3.4000	5.9000	5.7192	4.3
1972	3879.0	5.7000	5.6000	5.2483	3.3
1973	4112.0	5.8000	4.9000	8.0217	6.2
1974	4050.0	-.60000	5.6000	10.798	11.0
1975	4101.0	-1.1000	8.5000	7.8625	9.1
1976	4158.0	5.4000	7.7000	6.8408	5.8
1977	4280.0	5.5000	7.1000	6.8242	6.5
1978	4441.0	5.0000	6.1000	9.0567	7.7
1979	4512.0	2.8000	5.8000	12.666	11.3
1980	4472.0	-.40000	7.1000	15.266	13.5
1981	4538.0	1.9000	7.6000	18.870	10.3
1982 1/	4545.0	-1.8000	9.7000	14.861	6.1

1/ Preliminary.

Global Recessions 1978-82



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GNP Growth Rates

Year	Less developed countries	Industrialized countries
1978	3.8	4.0
1979	3.3	3.5
1980	2.8	1.1
1981	2.9	.9
1982 1/	2.1	-.5
1983 2/	3.4	1.5

1/ Preliminary forecast.
2/ Forecast.

World Economic Indicators

Country/area	Change in real gross national product		Change in consumer price index	
	1981	Preliminary 1982	1981	Preliminary 1982
	- - - Percent - - -			
United States	1.9	-1.8	10.3	6.1
USSR	2.5	2.5	N.A.	N.A.
East Europe	-1.9	1.5	N.A.	N.A.
EC-10	-0.8	1.0	10.0	9.7
Japan	3.0	2.5	4.9	4.5
Canada	3.0	-4.4	12.4	10.0
Australia	3.0	2.8	9.4	10.4
South Africa	4.5	2.0	15.0	14.0
Brazil	-3.8	0.0	105.5	100.0
Argentina	-6.0	-6.0	104.5	115.0
India	4.5	4.0	13.0	10.0
LDC's:				
Asia	5.9	4.5	16.3	9.7
Latin America	0.2	-0.1	56.8	49.2
OECD	0.7	-0.5	9.4	7.5

Source: Consensus indications in early 1983.

N.A. = Not available.

U.S. Agricultural Exports

- Exports of U.S. farm production are projected at $36.0 billion, 8 percent below last year's level and 18 percent below the 1980/81 record of $43.8 billion. The developed market economies of Japan, Western Europe, and Canada combined will again take nearly half of all U.S. agricultural exports on a dollar basis in 1982/83. African and Latin American nations will account for more than a fifth of U.S. farm exports and Asia (excluding Japan and China), about 18 percent compared with 16 percent in fiscal 1982.

- Export volume is expected to be down slightly from last year's 158 million. Grains make up nearly 70 percent of U.S. agricultural export volume. Oilseeds and products remain the second largest component of U.S. export volume.

- The U.S. share of total world grain trade in 1982/83 is expected to fall from the 1981/82 level of 52 percent, and the 50 percent or more the United States held in the mid-to-late 1970's. Our share of world trade in soybeans may increase slightly from the 1981/82 level. The U.S. share of world cotton exports is projected to fall considerably to 29 percent in 1982/83 from 33 percent in 1981/82.

- Nearly three-fifths of this year's production of U.S. wheat and more than two-fifths of the soybean crop will be exported in 1982/83, along with about one-quarter of feed grain production and two-fifths of cotton output.

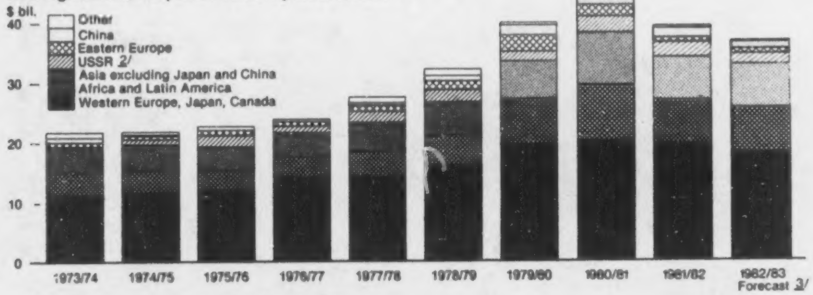
- The agricultural trade balance declined in calendar year 1982, the first decline since 1977. Nevertheless, the $21.3 billion agricultural surplus compares with a nonagricultural trade deficit of $63 billion. Petroleum remains the main factor in the nonagricultural balance slide that began in 1974.

- The European Community (EC) sharply expanded grain exports during the 1970's and in 1980/81 became a net exporter. The most rapid rise has been for wheat, with forecast 1982/83 exports up 10 percent from 1981/82. The Common Agricultural Policy (CAP) has insulated EC agriculture through high internal support prices and import protection, resulting in excess production and the subsidization of exports to dispose of surpluses. The EC has sharply expanded meat exports, becoming a net exporter in 1980. The substantial gains in beef and poultry exports have followed lucrative subsidies.

- Potential exists for further expansion of U.S. agricultural exports, although current world economic conditions and potential for increased trade barriers remain a concern. Japan, for example, continues to limit agricultural imports by quota. Elimination of the quotas would be particularly beneficial to U.S. cattle and citrus producers.

- China is a large market for U.S. farm products, with imports exceeding $1 billion. While U.S. exports of some products have slipped in recent years, China remains the top export market for U.S. wheat. Potential growth in U.S. agricultural exports to China is possible, particularly if textile trade issues are resolved.

U.S. Agricultural Exports: Value by Destination 1/



1/ October-September years; not adjusted for transshipments.
2/ 1982/83 forecast based on shipment of 12 million tons.
3/ Unofficial forecast based on January WASDE.

USDA

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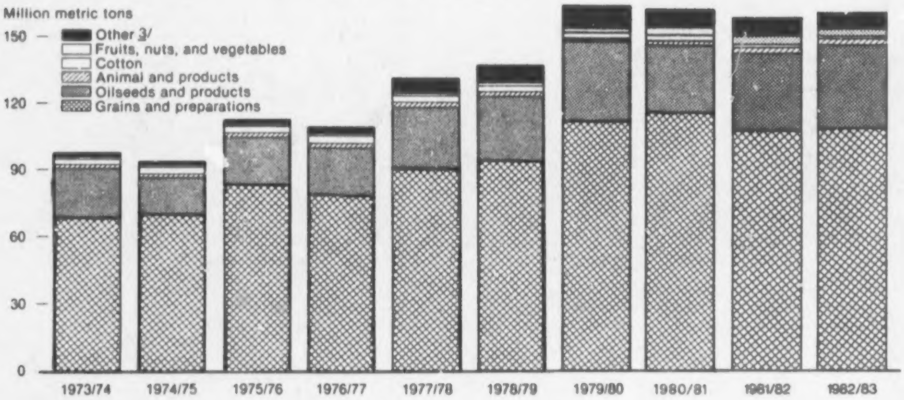
U.S. Agricultural Exports: Value by Destination

Destination 1/	1973/74	1978/79	1979/80	1980/81	1981/82	1982/83
	- - - Billion dollars - - -					
W. Europe, Japan & Canada	11.44	16.56	20.10	20.70	19.77	17.7
Africa & Latin America	3.58	4.91	7.77	9.72	7.39	7.7
Asia (excluding Japan & China)	4.03	5.72	6.51	7.21	6.58	7.3
USSR 2/	.34	2.19	1.51	1.71	2.32	1.2
Eastern Europe	.68	1.52	2.44	2.05	.92	.8
China	.84	.92	1.96	2.18	1.82	1.1
Other	.70	.16	.19	.21	.29	.2
Total	21.61	31.98	40.48	43.78	39.09	36.0

1/ October-September years; not adjusted for transshipments.
2/ 1982/83 Forecast based on shipment of 12 million tons.

U.S. Agricultural Exports: Volume by Commodity Group 1/



1/ October-September years.
2/ Forecast.
3/ Includes feed and fodders.

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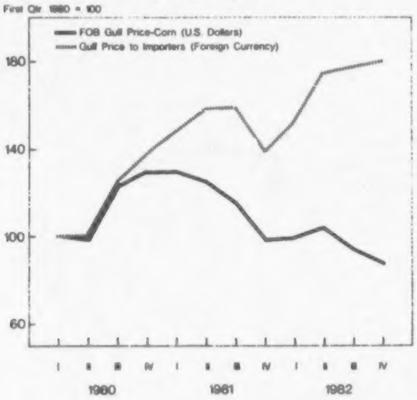
U.S. Agricultural Exports: Volume by Commodity Group

Commodity group 1/	1973/74	1978/79	1979/80	1980/81	1981/82	1982/83
	- - - Million metric tons - - -					
Grains & preparations	68.8	95.4	112.3	116.9	107.6	104.5
Wheat	26.8	31.3	36.1	42.2	44.6	39.5
Corn	31.0	53.9	61.4	59.4	49.6	52.1
Sorghum	5.9	5.2	8.2	7.7	6.3	6.6
Rice	1.7	2.4	3.0	3.2	2.9	2.3
Oilseeds & products	21.9	29.4	35.6	29.8	35.4	36.7
Soybeans and products 2/	20.8	27.3	32.2	26.9	32.7	34.1
Animals & products	1.6	2.0	2.4	2.6	2.5	2.4
Fruits, nuts, veg.	2.5	3.3	3.7	4.2	3.98	3.6
Cotton	1.2	1.3	2.0	1.2	1.5	1.1
Other 3/	3.9	6.0	7.9	7.6	7.2	6.2
Total	99.9	137.4	163.9	162.3	158.1	154.5

1/ October-September years.
2/ Export weight; not bean or meal equivalent.
3/ Includes feed and fodders.

Effect of Dollar on U.S. Corn Exports



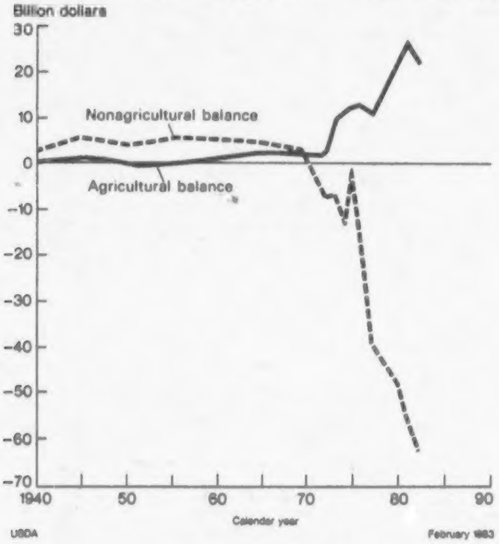
Effect of Dollar on U.S. Corn Exports

Item	Index of FOB Gulf price corn (U.S. dollars)	Index of trade-weighted exchange rates (corn)	Index of Gulf price to importers in foreign currency
	--- First Quarter 1980 = 100 ---		
1980			
I	100.0	100.0	100.0
II	98.3	102.0	100.3
III	122.7	101.7	125.0
IV	129.2	106.6	137.7
1981			
I	129.2	114.5	147.9
II	124.4	127.1	158.1
III	115.1	138.1	159.0
IV	98.3	140.7	138.3
1982			
I	99.0	153.6	152.1
II	103.8	168.5	174.9
III	93.5	190.1	177.7
IV	87.6	205.6	179.9

Movement of Trade-Weighted Dollar Exchange Rates
(April 1971 = 100)

Item	1980				1981				1982			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Wheat	186.4	197.0	204.7	225.8	244.2	275.8	319.0	353.7	396.5	445.6	515.2	594.7
Corn	105.8	107.9	107.8	112.8	121.1	134.5	146.0	148.9	162.5	178.3	201.1	217.5
Soybeans	79.2	79.7	78.3	81.1	85.6	92.7	98.2	95.0	100.9	107.3	118.4	120.0
Cotton	118.3	119.7	118.7	122.8	126.0	130.7	135.1	135.0	138.4	142.8	146.6	149.2
All commodities	107.4	109.7	109.8	116.2	122.2	133.8	146.4	150.3	163.0	177.5	199.3	214.1

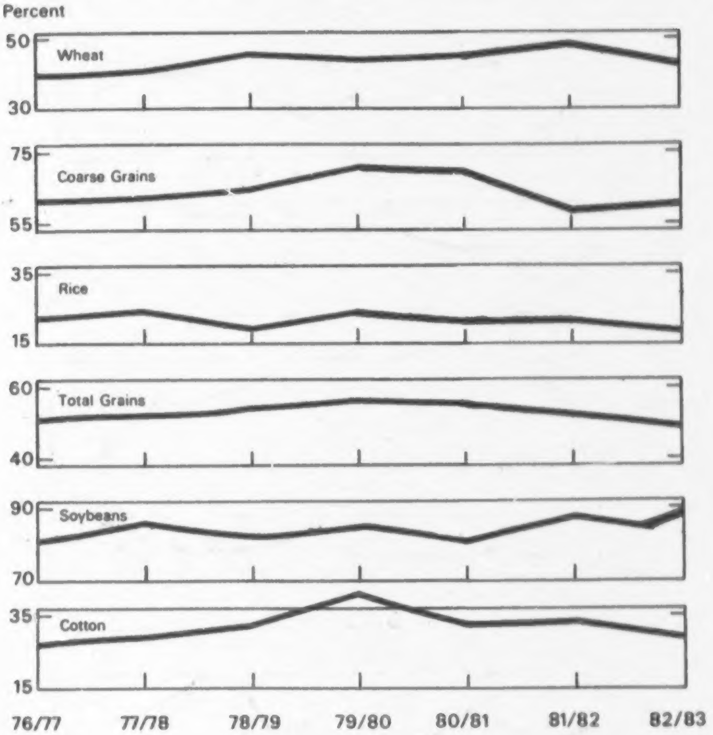
Agricultural and Nonagricultural Trade Balance



Agricultural and Non-Agricultural Trade Balance
- Calendar Year -

Item	1940	1950	1960	1970	1975	1976	1977	1979	1980	1981	1982
Agricultural											
Exports	.5	2.9	4.8	7.3	21.9	23.0	23.7	34.7	41.3	43.3	36.7
Imports	1.3	4.0	3.8	5.8	9.3	11.0	13.5	16.7	17.4	16.8	15.4
Balances											
Agricultural	-.8	-1.1	+1.0	+1.5	+12.6	+12.0	+10.2	+18.0	+23.9	+26.6	+21.3
Nonagricultural	+2.1	+2.5	+4.4	+1.3	-2.8	-20.7	-40.0	-45.5	-51.2	-56.6	-63.0

U.S. Exports as Share of World Trade



1982/83 Forecast

USDA

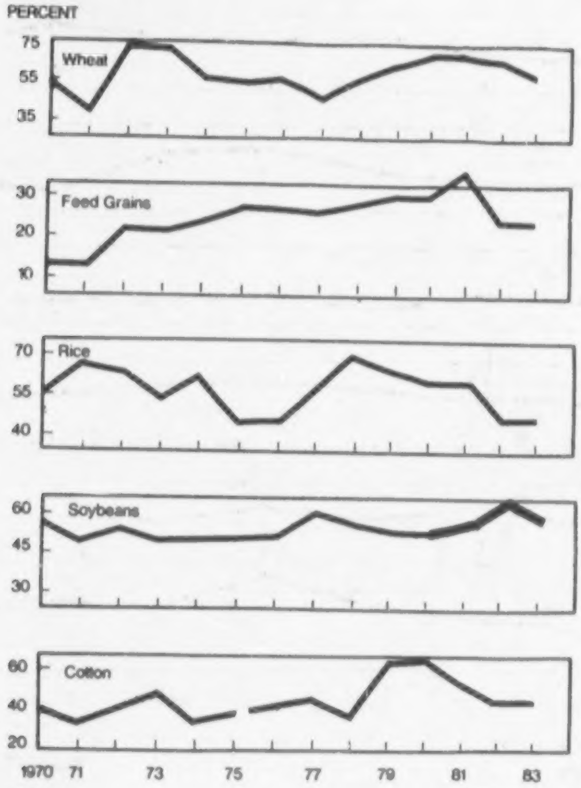
FEBRUARY 1983

U.S. Exports as Share of World Trade 1/

Item	1975/76	1976/77	1977/78	1979/80	1980/81	1981/82	Forecast 1982/83
				Percent			
Wheat	48	41	43	43	44	48	42
Coarse grains	61	61	62	71	69	59	61
Rice	23	22	24	24	23	21	19
Total grains	53	51	52	56	55	52	49
Soybeans	78	81	86	84	78	87	89
Cotton	17	27	29	40	30	33	29

1/ Wheat and coarse grains, July-June year, rice, calendar year; soybeans, September-August year; cotton, August-July year.

U.S. EXPORTS AS A SHARE OF U.S. PRODUCTION



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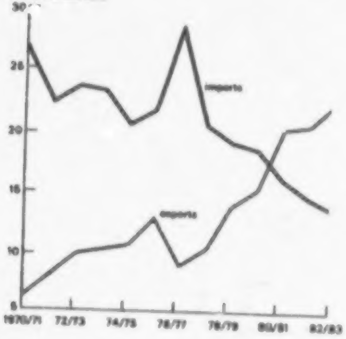
U.S. Exports as a Share of U.S. Production
U.S. Marketing Year 1/

Commodity	1975/76	1976/77	1977/78	1979/80	1980/81	1981/82	Forecast 1982/83
				- - - Percent - - -			
Wheat	55	44	55	64	64	63	54
Feed grains	27	26	28	30	35	24	23
Rice	43	56	73	63	63	45	46
Soybeans 2/	50	59	54	53	56	61	57
Cotton	40	45	38	63	53	42	42

1/ Production is in first year of marketing year.
2/ Exports include soybean equivalent of meal exports.

EC TOTAL GRAINS TRADE



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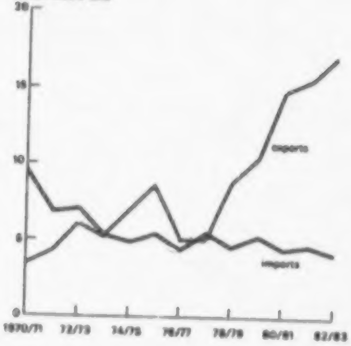
EC WHEAT TRADE



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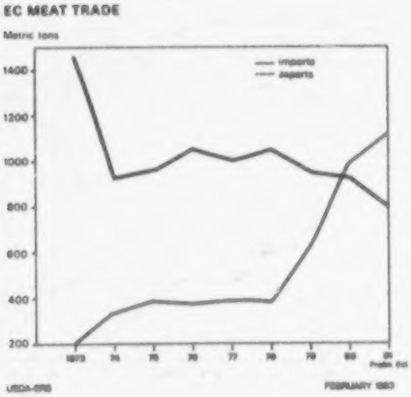
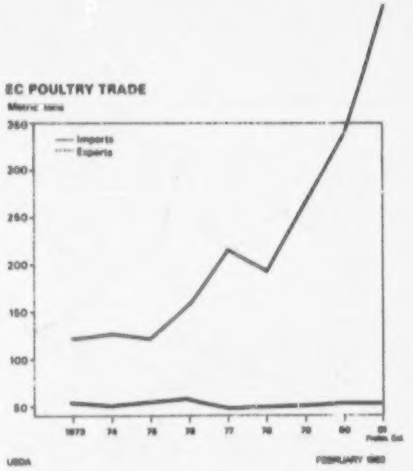
European Community Grains Trade, World Exports, and EC and U.S. Shares 1/

Item	1971-75 avg.	1978/79	1979/80	1980/81	1981/82	1982/83
	---Million metric tons---					
Total grains						
EC imports	22.4	19.2	18.6	16.0	14.8	13.0
EC exports	10.5	14.0	15.4	20.3	20.6	21.9
Total world exports	126.4	162.1	186.8	199.7	204.8	191.7
EC share (pct.)	8.3	8.6	8.2	10.2	10.0	11.4
U.S. share (pct.)	50.9	55.0	58.2	57.2	54.0	50.6
Wheat						
EC imports	5.9	4.6	5.3	4.5	4.7	4.0
EC exports	6.2	8.8	10.4	14.7	15.5	17.0
Total world exports	62.5	72.0	86.0	94.2	101.8	100.0
EC share (pct.)	9.9	12.2	12.1	15.6	15.2	17.0
U.S. share (pct.)	44.8	44.9	43.3	44.5	48.2	41.5
Coarse grains						
EC imports	16.5	14.5	13.4	11.5	10.2	9.0
EC exports	4.4	5.3	5.0	5.6	5.1	4.9
Total world exports	63.9	90.2	100.9	105.5	103.6	91.7
EC share (pct.)	6.9	5.8	4.9	5.3	4.9	5.3
U.S. share (pct.)	56.8	63.1	71.0	68.6	59.3	61.0

1/ Total grains includes wheat and coarse grains; excludes intra-EC trade.





European Community Meat Trade, World Exports,
and EC and U.S. Shares 1/

Item	1975	1977	1978	1979	1980	1981 Preliminary
	---Million metric tons---					
Total meat						
EC imports	.96	1.00	1.05	.95	.93	.80
EC exports	.39	.39	.38	.62	.98	1.10
Total world exports,	3.54	4.62	4.80	5.44	5.65	6.30
EC share (pct.)	11	8	8	11	17	17
U.S. share (pct.)	10	12	12	11	13	14
Beef and veal						
EC imports	.09	.16	.16	.18	.15	.13
EC exports	.20	.10	.11	.23	.53	.53
Total world exports	1.45	1.93	2.11	2.42	2.33	2.30
EC share (pct.)	14	5	5	9	23	.23
U.S. share (pct.)	1	2	2	2	3	3
Poultry						
EC imports	.06	.05	.05	.06	.05	.06
EC exports	.12	.22	.19	.26	.34	.47
Total world exports	.44	.71	.73	.91	1.19	1.53
EC share (pct.)	28	30	27	29	28	31
U.S. share (pct.)	21	26	26	25	28	26

1/ Excludes intra-EC trade.

Source: U.N., FAO and FAS data.

Soviet Grain and Livestock Developments

* The Soviet Union had a poor grain harvest in 1982 for the fourth successive year. Acreage was the lowest since 1972, and a prolonged period of hot, dry weather reduced yields. The 1982 grain crop, currently estimated at 180 million tons, is up 20 million from the 1981 crop but nearly 60 million below plan. Official Soviet estimates have been withheld for both 1981 and 1982, raising questions about the final output figures for both years.

* A better grain crop and good forage supplies have lowered expected Soviet grain imports to 34 million tons from a record 46 million tons last year. As of early February, the USSR appears to have purchased or have commitments for about 28 million tons of grain toward import needs, with wheat accounting for about 20 million of the total.

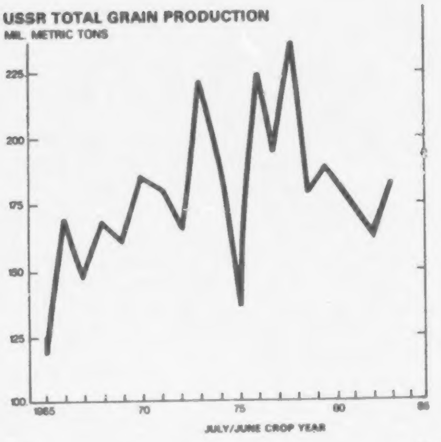
* To date, the Soviets have purchased 6 million tons of U.S. wheat and corn for shipment during the seventh year (October 1982-September 1983) of the Long-Term Agreement. As of February 10, approximately 3.8 million tons of grain had been shipped.

* Soviet grain utilization in 1982/83 will likely total 214 million tons, up 4 percent from last year. Stocks are at low levels after having been drawn down an estimated 18 million tons the past 3 years.

* Total Soviet meat production was virtually unchanged in 1982 despite the fourth consecutive poor grain harvest. Average slaughter weights continued below year-earlier levels as livestock inventories continued high. Cattle and hog inventories on state and collective farms at the beginning of 1983 were at record levels. Prospects are for an increase in total meat production for 1983.

* Total Soviet meat imports are estimated at around 984,000 tons in 1982, down slightly from 1981. With prospects for some increase in meat production, meat imports are likely to decline further in 1983, especially for poultry.

* The USSR announced that 32.5 million hectares of the planned 36 million hectares were seeded for the 1983 USSR winter grain crop, making it one of the smallest areas in recent years. Conditions for winter grains are generally fair. Seedings in some major producing areas, particularly the North Caucasus and the south central Ukraine, have developed poorly due to extremely dry soils at the time of planting. Recently, some precipitation over these areas has improved topsoil moisture, but subsoil moisture levels remain low. Conditions through mid-February suggest that the crop's resistance to winterkill is low. Therefore, the crop remains vulnerable to above-average winterkill.



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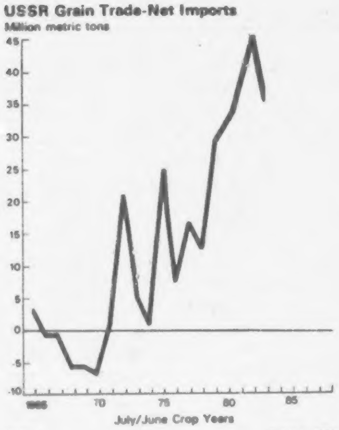
February 1983



USDA

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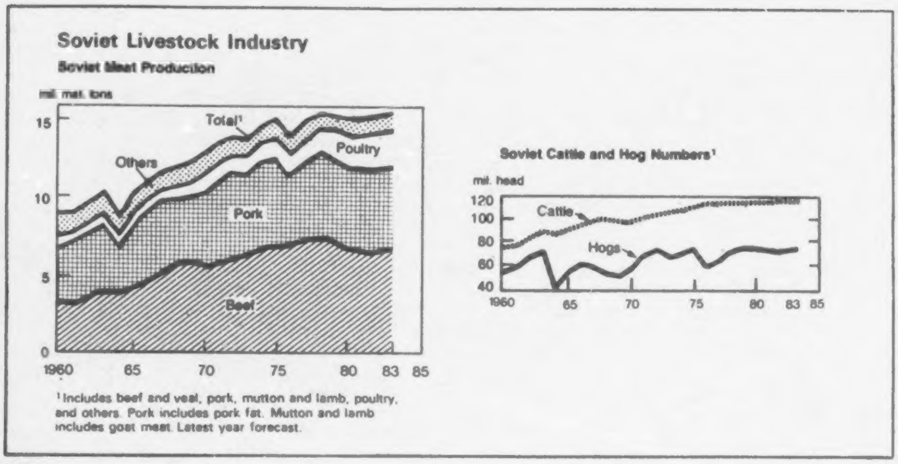
Soviet Grain Supply and Utilization

Year (July-June)	Production	Trade: Imports: Total	Trade: Imports: U.S.	Trade: Exports	Availability 1/	Utilization: Feed	Utilization: Total	Stock Change 2/
	- - - Million metric tons - - -							
					Total Grains 3/			
1972/73	168	22.8	13.7	1.8	189	98	187	+2
1973/74	223	11.3	7.9	6.1	228	105	214	+14
1974/75	196	5.7	2.3	5.3	196	107	206	-10
1975/76	140	26.1	13.9	0.7	166	89	180	-14
1976/77	224	11.0	7.4	3.3	232	112	221	+11
1977/78	196	18.9	12.5	2.3	213	122	228	-16
1978/79	237	15.6	11.2	2.8	250	125	231	+19
1979/80	179	31.0	15.2	0.8	209	123	222	-13
1980/81	189	34.8	8.0	.5	223	122	228	-5
1981/82 4/	160	46.0	15.4	.5	206	112	206	0
1982/83 5/	180	34.0	6.0 6/	.5	214	118	214	0
					Wheat			
1972/73	86	15.6	9.5	1.3	100	41	98	+2
1973/74	110	4.5	2.7	5.0	109	30	96	+13
1974/75	84	2.5	1.0	4.0	82	34	93	-11
1975/76	66	10.1	4.0	0.5	76	30	87	-11
1976/77	97	4.6	2.9	1.0	100	28	92	+8
1977/78	92	6.6	3.3	1.0	98	44	108	-10
1978/79	121	5.1	2.9	1.5	125	43	107	+18
1979/80	90	12.0	3.9	0.5	102	53	115	-13
1980/81	98	16.0	3.0	0.5	114	50	117	-3
1981/82 4/	80	19.5	6.9	0.5	99	39	99	0
1982/83 5/	86	20.0	3.0 6/	0.5	105	44	105	0
					Coarse Grains			
1972/73	72	6.9	4.2	0.4	79	53	79	0
1973/74	101	6.4	5.2	0.9	106	70	105	+1
1974/75	100	2.7	1.3	1.0	101	68	100	+1
1975/76	66	15.6	9.9	---	81	56	84	-3
1976/77	115	5.7	4.5	2.0	119	78	116	+3
1977/78	93	11.7	9.2	1.0	103	74	109	-5
1978/79	105	10.0	8.3	1.0	114	79	113	+1
1979/80	81	19.4	11.3	---	100	68	100	0
1980/81	81	18.0	5.0	---	99	68	101	-2
1981/82 4/	72	25.5	8.5	---	98	70	98	0
1982/83 5/	85	13.0	3.0 6/	---	98	69	98	0

1/ Availability excludes beginning stocks. Totals may not add due to rounding.
2/ Minus indicates withdrawal from stocks.
3/ Total grain production, trade and utilization figures include pulses, paddy rice, buckwheat, and miscellaneous grains, in addition to wheat and coarse grains.
4/ Preliminary for trade, availability, utilization, and stock change.
5/ Forecast for production, trade, availability, utilization and stocks change.
6/ Includes accumulated exports and outstanding sales during the extended agreement year to date.



Soviet Livestock Industry

Soviet Meat Production

¹Includes beef and veal, pork, mutton and lamb, poultry, and others. Pork includes pork fat. Mutton and lamb includes goat meat. Latest year forecast.

Soviet Cattle and Hog Numbers¹

USDA

February 1983

Soviet Meat and Poultry Production

Item	Calendar								
	1965	1970	1975	1978	1979	1980	1981	1982	1983 1/
	- - - Million metric tons - - -								
Production									
Beef & veal	3.9	5.4	6.4	7.1	6.9	6.7	6.6	6.6	6.7
Pork	4.1	4.5	5.6	5.3	5.3	5.1	5.2	5.1	5.2
Poultry	.7	1.1	1.5	1.9	2.0	2.1	2.3	2.5	2.7
Total meat 2/	10.0	12.3	15.0	15.5	15.3	15.0	15.2	15.2	15.5
Numbers 3/	- - - Million head - - -								
Cattle	87	95	109	113	114	115	115	116	117
Hogs	53	56	72	71	73	74	73	73	76

1/ Estimates.
2/ Includes mutton, lamb, and goat meat. Pork includes pork fat.
3/ As of January 1.

World and U.S. Commodity Outlook
Grains

* Total world grain production in 1982/83 is projected at a record 1,529 million tons, 3 percent above last year's harvest, and 6 percent larger than the 1980/81 crop. Record crops were harvested this year in the United States, Western and Eastern Europe, Canada, and China. The Soviet harvest was up an estimated 20 million tons from the poor 1981 outturn. An extended drought significantly reduced the Australian crop. Production in Argentina and South Africa is likely to be higher than last year's reduced level despite recent dry weather which has worsened prospects.

* World wheat and coarse grain harvests are projected at an all-time high in 1982/83, while world rice production is expected to be about 2 percent lower than in 1981/82. Global wheat production is forecast up 5 percent, with larger crops in Western and Eastern Europe, China, Canada, Argentina, and the USSR offsetting a smaller Australian crop. An improved Soviet coarse grain crop and record U.S. harvest have boosted 1982/83 world coarse grain production by an estimated 3 percent over 1981/82.

* Global grain utilization is forecast to be up 2 percent in 1982/83 after having been virtually flat for the past 3 years. Larger harvests in a number of countries, particularly the USSR, China, and Eastern Europe, and some improvement in global economic conditions are contributing to the growth in utilization.

* World grain utilization is still likely to fall well short of production for the second consecutive year. World grain stocks in 1982/83 are expected to build to a record 264 million tons, 48 million above a year earlier, and 87 million above 1980/81. The global stocks-to-use ratio of 18 percent this year would be the highest since the late 1960's. The buildup in stocks in 1982/83 is concentrated exclusively in the United States. Foreign stocks will likely decline for the fourth consecutive year.

* Grain trade worldwide in 1982/83 is expected to be down about 6 percent from 1981/82, the first year-to-year decline since 1974/75. Larger harvests, the economic slowdown in developed countries, and financial constraints in a number of areas, such as Eastern Europe, have dampened trade prospects. U.S. grain exports are expected to decline more then 10 percent in 1982/83 (July/June basis), with the U.S. share of world trade falling from 52 percent in 1981/82 to 49 percent this year.

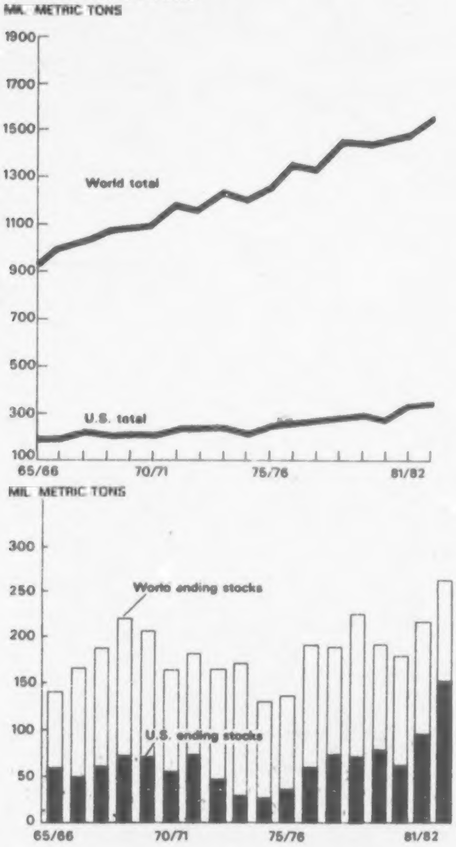
* In the United States, a record grain harvest and virtually no change in use point to a second straight year of substantial increases in carryover stocks. Wheat carryover stocks are forecast at a record 1.58 billion bushels, up 35 percent from 1981/82, and nearly 60 percent from 1980/81. Carryover stocks of feed grains are likely to increase around 40 million tons following a 35-million-ton increase in 1981/82. Rice stocks may be up more than 25 percent.

* Most of the increased U.S. carryover stocks of wheat and feed grains will move into the farmer-owned reserve program. As of early February, 1.1 billion bushels of wheat and 2.5 billion of corn were in the reserve, and more will go in before the end of the respective crop years. By the end of the 1982/83 marketing year, more than 80 percent of total U.S. grain stocks will be isolated from the market in the farmer-owned reserve and Government inventory.

* The 1983 U.S. winter wheat crop is in fair-to-good condition throughout the major production areas, although there is some concern about the lack of snowcover. U.S. winter wheat plantings were down 5 percent from the record 1982 acreage, primarily reflecting higher participation in acreage reduction programs and weaker wheat prices. Soft red wheat growers reduced acreage by nearly 10 percent. Winter grain prospects in Northern Hemisphere countries are mixed, with dry weather dampening prospects in India, China, and Spain.

* The recently announced Payment-In-Kind (PIK) program for 1983 crops will likely reduce grain harvested acreage by over 20 million acres relative to the previously announced programs. The PIK program is designed to bring supplies more in line with demand. Farmers who participate in the PIK program will receive commodities for reducing acreage by a larger amount than called for under previously announced programs.

GRAINS: WORLD AND U.S. PRODUCTION AND ENDING STOCKS°



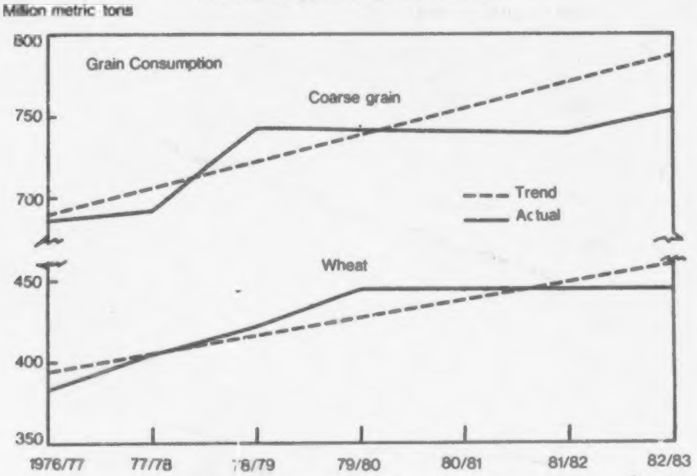
°Includes wheat, coarse grains, and milled rice

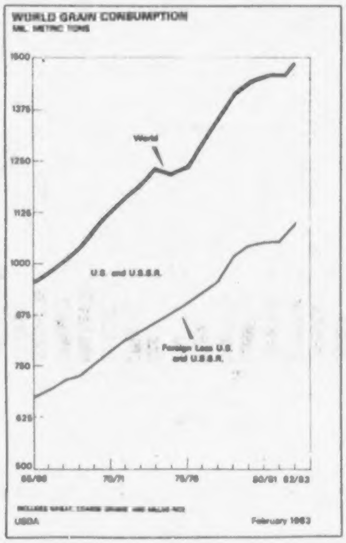
World and U.S. Grain Supply and Utilization

Item	1970/71	1975/76	1980/81	1981/82	1982/83 1/
	- - - Million metric tons - - -				
Beginning stocks	205	131	196	177	216
Production	1,100	1,246	1,437	1,490	1,529
(United States)	183	247	268	331	337
Total supply	1,305	1,377	1,633	1,667	1,745
Utilization	1,139	1,238	1,456	1,451	1,481
Ending stocks	166	138	177	216	264
(United States)	55	37	62	104	155
Free stocks	37	60	35	34	26
Stocks/use ratio	14.5	11.1	12.2	14.9	17.8
Trade	109	153	213	217	204

1/ Crop production prospects still uncertain for the Southern Hemisphere; major uncertainties at this point center on utilization and trade.

World Demand for Grains

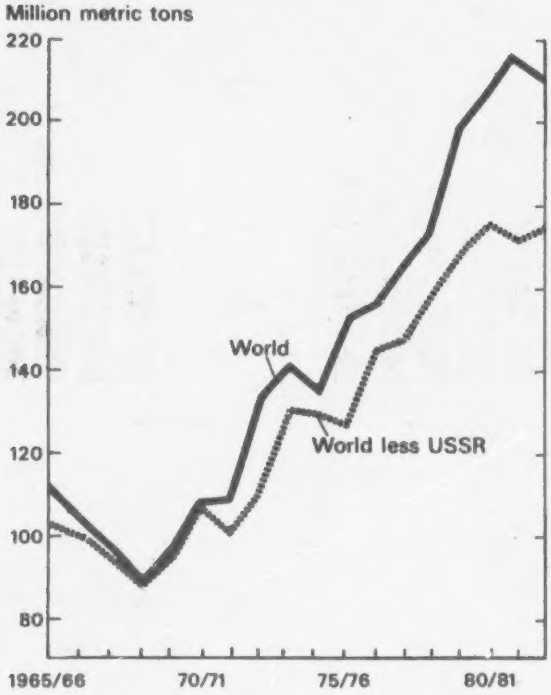




World Grain Consumption

Item	1970/71	1972/73	1974/75	1976/77	1978/79	1979/80	1980/81	1981/82	1982/83 1/
				- - - Million metric tons - - -					
World	1,138	1,191	1,217	1,305	1,432	1,443	1,456	1,451	1,481
U.S.	164	181	141	152	182	185	171	180	184
USSR	188	187	206	221	231	222	228	206	214
World less U.S., USSR	786	823	870	932	1,019	1,036	1,057	1,065	1,083

1/ Forecast.



World Grain Imports

USDA

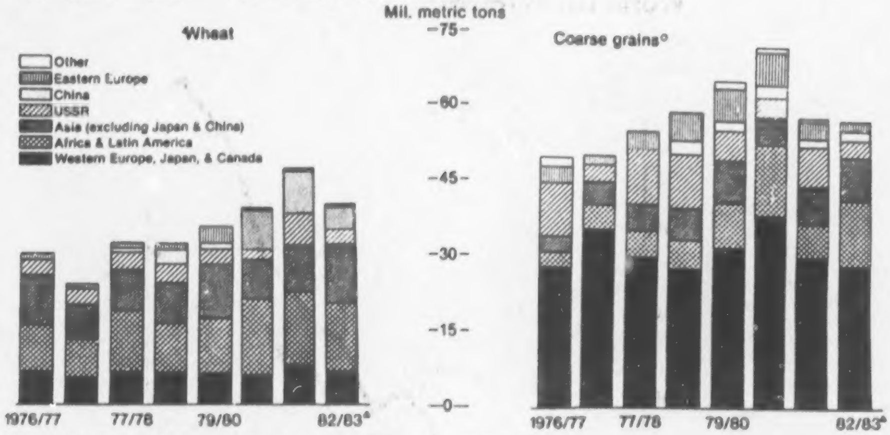
February 1983

World Grain Imports

Total Imports 1/	1970/71	1972/73	1975/76	1976/77	1978/79	1979/80	1980/81	1981/82	1982/83
	- - - Million metric tons - - -								
World	110	134	152	156	174	200	213	217	204
USSR	1	23	26	11	16	31	35	46	34
World less USSR	109	111	126	145	158	169	178	171	170

1/ July/June marketing year for wheat and coarse grains; calendar year for rice.

U.S. Grain Exports: Volume by Destination*



* (Wheat) October-September years; not including wheat flour. (Course grains) October-September years.
∆ Forecast.

USDA

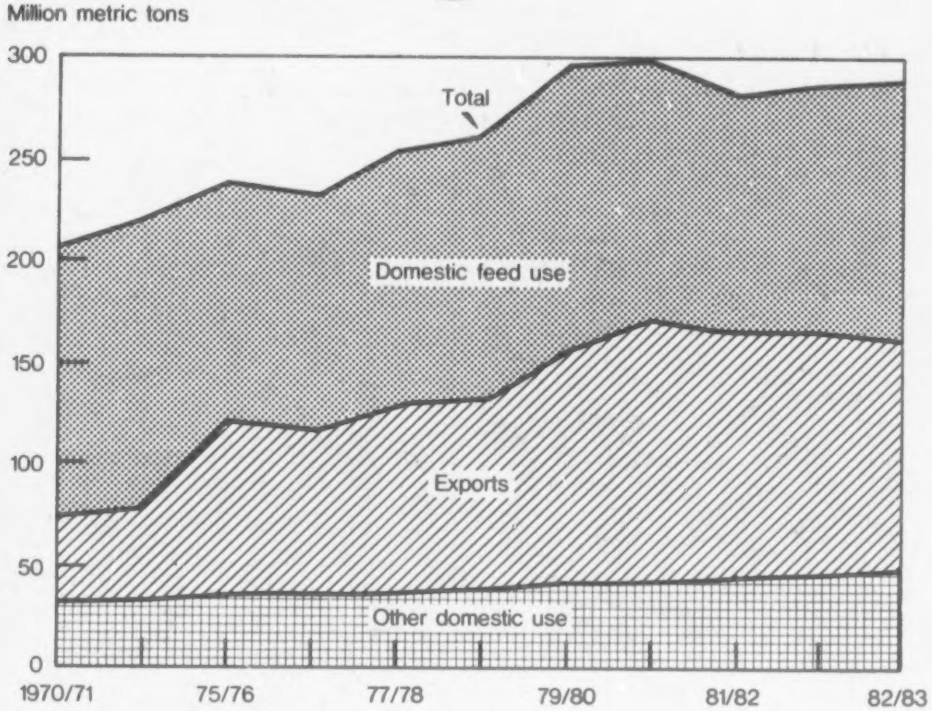
February 1983

U.S. Grain Exports. Volume by Destination

Destination 1/	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83 2/
	- - - Million metric tons - - -						
Wheat							
W. Eur., Japan & Canada	5.4	6.6	6.5	7.7	7.2	7.0	6-8
Africa & Latin America	7.4	11.7	9.5	12.0	14.8	14.9	13-15
Asia (Excl. Japn. & China)	6.9	8.2	7.9	7.2	8.7	9.0	12-14
USSR 3/	3.0	3.4	3.9	2.3	3.7	6.0	3.0
China	---	1.0	2.7	4.1	8.0	8.2	3-5
Eastern Europe	1.0	1.0	.9	2.8	.7	.4	.5
Other	---	---	---	---	---	---	---
Total	23.8	31.8	31.8	36.1	43.2	45.5	39-45
Coarse grains							
W. Eur., Japan & Canada	35.7	30.2	27.8	35.7	34.5	31.7	28-31
Africa & Latin America	4.9	5.4	5.7	13.0	13.7	6.6	11-13
Asia (Excl. Jap. & China)	4.6	5.2	6.6	6.7	6.8	7.4	7.5-9.5
USSR 3/	3.2	10.9	10.9	5.9	5.7	7.6	3.0
China	---	---	2.8	1.8	.7	1.1	2.5
Eastern Europe	2.2	3.9	5.7	8.0	7.5	3.7	2-3
Other	---	---	---	.1	---	.1	---
Total	50.6	55.5	59.5	71.2	69.0	58.2	55-65

1/ Year beginning October 1. 2/ Forecast. 3/ Includes accumulated exports and outstanding sales during the extended agreement year to date.

U.S. GRAIN DISAPPEARANCE*



*Feed grains, wheat, rye, and rice.

USDA

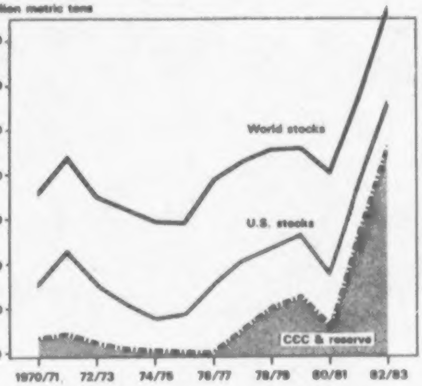
February 1983

U.S. Grain Use

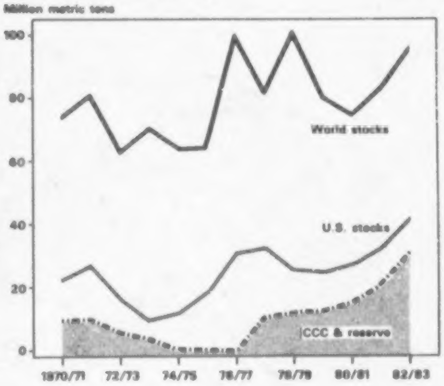
Item	1970/71	1975/76	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83
			- - - Million metric tons - - -					
Feed Use	132	117	124	142	141	125	132	134
Other Use	32	38	38	40	44	46	48	50
Total Domestic	164	155	162	182	185	171	180	184
Exports	40	84	89	95	112	114	110	103
Total Use	204	239	251	277	296	284	289	287

World Grain Stocks

World Coarse Grain Ending Stocks



World Wheat Ending Stocks



USDA February 1983

Grain Carryover Stocks and Reserves

Item	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83
			--- Million metric tons ---				
Wheat carryover stocks							
World	100	84	101	80	75	82	96
World less U.S.	70	52	76	55	48	50	53
U.S.	30	32	25	25	27	32	43
FOR 1/	---	9	11	7	10	15	29
CCC Inventory	---	1	1	5	5	5	5
Free	30	22	13	13	12	12	9
Coarse grains carryover stocks							
World	77	86	91	92	80	112	151
World less U.S.	47	45	45	39	45	41	41
U.S.	30	41	46	53	35	71	110
FOR 1/	---	10	16	18	5 2/	40	81
CCC Inventory	---	1	4	8	7	9	14
Free	30	30	26	27	23	22	15
Total grains carryover stocks 3/							
World	194	193	219	195	177	216	264
World less U.S.	133	119	147	117	115	112	109
U.S.	61	74	72	78	62	104	155
FOR 1/	---	19	27	25	15	55	110
CCC Inventory	1	2	5	13	12	15	20
Free	60	53	40	40	35	34	25

1/ Farmer-owned reserve.
2/ Reserve loans that were called in January 1981, and extended indefinitely in April.
3/ Includes wheat, coarse grains, and milled rice.

Farmer-Owned Reserve (FOR) Entries and Monthly Prices for Wheat and Corn 1/

Item	1978		1979		1980		1981		1982		1983	
	Quantity in FOR	Farm price	Quantity in FOR	Farm price	Quantity in FOR	Farm price	Quantity in FOR	Farm Price	Quantity in FOR	Farm Price	Quantity in FOR	Farm price
	Mil. bu.	$/bu.	Mil. bu.	$/bu.	Mil. bu.	$/bu.	Mil./bu.	$/bu.	Mil. bu.	$/bu.	Mil bu.	$/bu.
Wheat												
January	76	2.53	411	2.99	227	3.74	256	4.21	493	3.78	1,046	3.54
February	92	2.59	411	2.99	234	3.78	291	4.17	512	3.70		
March	143	2.67	411	2.97	246	3.64	323	4.09	525	3.67		
April	234	2.82	411	3.01	254	3.58	359	4.07	546	3.68		
May	334	2.82	411	3.20	259	3.69	359	3.95	557	3.64		
June	349	2.81	361	3.72	261	3.69	360	3.70	565	3.39		
July	367	2.81	291	3.89	260	3.81	361	3.62	589	3.26		
August	384	2.88	265	3.74	255	3.94	376	3.62	714	3.34		
September	396	2.92	256	3.87	214	3.99	412	3.65	809	3.38		
October	400	2.99	248	3.98	215	4.19	438	3.77	884	3.43		
November	406	3.04	237	3.94	214	4.32	457	3.85	967	3.48		
December	408	3.01	232	3.80	216	4.22	465	3.80	1,000	3.50		
Corn												
January	---	2.00	726	2.11	610	2.45	920	3.19	936	2.54	2,203	2.32
February	1	2.03	733	2.18	717	2.39	938	3.22	1,112	2.44		
March	3	2.15	735	2.22	765	2.40	864	3.25	1,131	2.46		
April	7	2.24	735	2.27	817	2.36	549 2/	3.24	1,187	2.55		
May	51	2.29	735	2.35	878	2.42	421 2/	3.24	1,217	2.60		
June	90	2.28	710	2.49	890	2.49	382 2/	3.17	1,238	2.57		
July	114	2.16	683	2.64	896	2.73	323 2/	3.14	1,246	2.50		
August	168	2.01	586	2.54	896	2.92	264 2/	2.87	1,260	2.30		
September	257	1.98	552	2.51	673	3.01	206 2/	2.55	1,288	2.15		
October	386	1.97	535	2.41	611	2.99	177 2/	2.45	1,331	1.98		
November	521	2.02	532	2.27	583	3.10	91	2.34	1,472	2.13		
December	658	2.09	570	2.38	609	3.19	487	2.39	1,778	2.27		

1/ Quantities are mid-month estimates.
2/ Reserve loans that were called in January 1981, and extended indefinitely in April.

Oilseeds

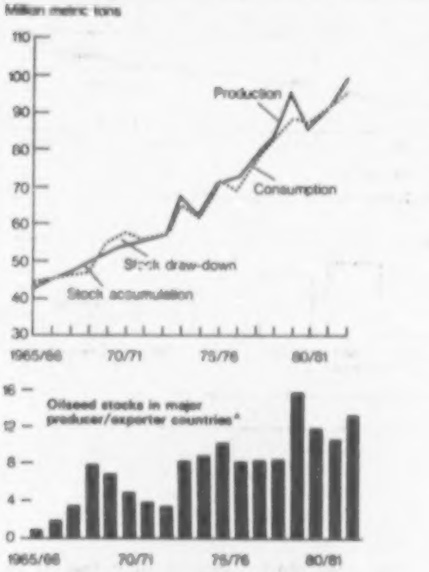
- World production of major oilseeds in 1982/83 is forecast to reach a record 180.0 million tons, about 6 percent above year-earlier levels of 170.1 million tons. Most of the increase is in soybeans which are up by about 10 percent and account for 85 percent of the expansion in world oilseed output. Record U.S. yields and acreage boosted domestic soybean output to nearly 2.3 billion bushels, compared to 2.0 billion last year.

- Large world and U.S. crops of soybeans and other oilseeds are contributing significantly to the sharp decline in prices for oilseeds and products this marketing year, with U.S. producer prices likely to average around $5.50 a bushel for soybeans compared to over $6.00 in 1981/82.

- Weak demand for oilseeds and their products, meal and oil, in both the United States and abroad also has been a major contributing factor to price weakness so far in this marketing year. However, protein meal and vegetable oil use are forecast to show good gains for all of 1982/83 as relatively low prices stimulate expanded use. World soybean meal use in 1982/83 is expected to reach 63 million tons, up about 7 percent. The largest gains are occurring in the European Community, the United States, and the Soviet Union. Low protein prices relative to grains and favorable livestock returns are boosting U.S. and EC use while the USSR expansion in oilmeal use has been helped by the Soviet desire to minimize overall feed grain imports through more efficient feeding rations.

- World production of edible vegetable oils and fats in 1982/83 is forecast to reach 62.5 million tons, about 5 percent above a year earlier. Substantial gains in both soybean oil and palm oil availabilities are only partly offset by declining availabilities of animal fats and marine oils.

World Production, Consumption, and Stocks of Oilseeds and Meals on a Meal Basisᵃ



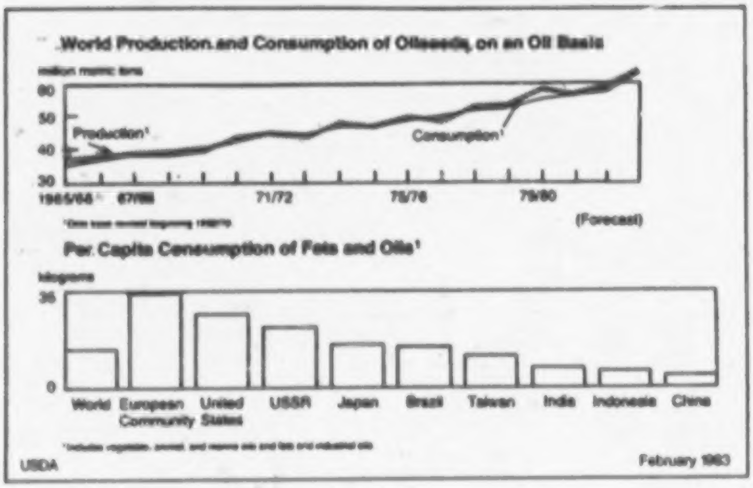
ᵃIncludes soybean, fish, peanut, sunflower, cottonseed, rapeseed, copra, and palm kernel meals on a 44% soybean meal basis.
ᵇData prior to 1968/69 U.S. soybean stocks only; later data include all U.S. and Canadian oilseeds plus soybean stocks in Brazil, Argentina, and Western Europe.

USDA 1982/83 Forecast February 1983

World Production, Consumption & Stocks of Oilseeds and Meals on a Meal Basis

Oilseeds & Meals	1965/66	1970/71	1975/76	1978/79	1979/80	1980/81	1981/82	1982/83 1/
				---Million metric tons---				
Production 2/	42.4	55.2	73.0	82.0	93.5	84.5	91.0	97.5
Exports	16.8	24.7	32.0	40.6	46.2	47.0	50.5	53.2
Consumption	44.1	57.8	71.0	87.0	87.0	86.3	91.8	95.0
Stock 3/	3.9	3.0	8.8	8.5	15.9	11.7	10.9	13.7

1/ Forecast; depends largely on outcome of Southern Hemisphere harvests this spring.
2/ Includes soybean, fish, peanut, sunflower, cotton, linseed, rapeseed, copra, and palm meal expressed in terms of 44 percent soybean meal.
3/ Soybean stocks in U.S., W. Europe, Argentina and Brazil plus stocks of all other oilseeds in U.S. and Canada.



World Production and Consumption of Oilseeds, on an Oil Basis

Item	1965/66	1970/71	1975/76	1980/81	1981/82	Forecast 1982/83 1/
Production	32.7	42.4	49.8	56.3	59.4	62.5
Exports	10.5	12.8	16.1	19.4	20.2	21.2
Consumption	32.5	43.0	49.2	56.2	59.9	62.0
Stocks	1.6	2.3	4.5	5.3	4.8	5.3

Per Capita Consumption of Fats and Oils

World	E.C.	U.S.	USSR	Japan	Brazil	Taiwan	India	Indonesia	China
--- Kilograms---									
13.7	34.1	26.1	22.5	15.3	14.5	10.5	6.9	5.3	3.9

Major Oilseeds: World and U.S. Production and U.S. Stocks

Production	1976/77	1977/78	1979/80	1980/81	1981/82	1982/83 1/
			---Million metric tons---			
World total	123.3	143.9	170.5	155.6	170.0	180.0
Foreign	82.2	87.3	98.0	99.8	105.7	109.2
United States	41.1	56.6	72.5	55.8	64.3	70.8
Ending stocks 2/	11.3	11.3	21.8	18.2	16.6	19.8

1/ Forecast based on Northern Hemisphere crops harvested and Southern Hemisphere crops which will not be harvested until spring.

2/ Includes U.S. stocks of all oilseeds, Brazilian and Argentine soybean stocks on September 30, West Europe soybean stocks plus Canadian rapeseed and flaxseed stocks.

*Includes soybeans, cottonseed, peanuts, sunflowerseed, rapeseed, and flaxseed.

Livestock

* World meat output declined slightly in 1982 as a lower red meat production more than offset larger poultry output. Total production in 1983 is expected to remain near the 1982 level, with red meat output likely to decline again and poultry to increase. Beef production was about unchanged last year, holding near the last few years' level. In 1983, beef production is expected to decline to a lower level than the 1974-78 average or any year since. Pork output is likely to be down again next year, the third consecutive year of declines. Poultry production is expected to continue its upward trend in 1983. With relatively constant levels of meat output in the last few years, per capita consumption is declining as the population continues to grow.

* Rebuilding of the U.S. cattle inventory that was underway in 1980 and 1981 came to a halt in 1982. Cow slaughter rose sharply in most of the mixed crop-livestock areas last year as some breeding stock was sold to help finance the farming operation. The beef cow herd declined in 1982 while the dairy cow inventory increased factionally.

* Total U.S. meat production declined about 2-1/2 percent in 1982 from the record 54.3 billion pounds produced in 1981. Little change in total meat output is expected this year. Beef production rose again in 1982, and in 1983, there may be another small increase. Sharp cuts in pork production occurred in 1982, and another decline is likely in 1983. The hog breeding inventory is down from a year ago, but favorable hog-feed price relationships should result in an increase this year. Poultry output was up only 1 percent last year following a 6-percent increase in 1981. Poor returns to broiler producers in 1982 held production to a 1-percent rise; broiler production may increase slightly in 1983.

* A dramatic turnaround occurred in U.S. meat trade in 1982. U.S. imports rose about 10 percent while exports were off about 20 percent. In 1981, meat imports declined 13 percent while exports rose 20 percent. A drought in Australia resulted in a sharp increase in cattle slaughter there, and a large part of the increased output was shipped to the United States. The U.S. market also became an attractive outlet for other beef exporters, partially as the result of the strength of the dollar. Higher U.S. pork prices and the strong dollar helped to attract larger pork imports in 1982 while these same factors contributed to a decline in exports. Broiler exports were off about 30 percent in 1982 after many years of substantial increases. Weak world economies and subsidized exports by major competitors contributed to the decline. In 1983, U.S. meat imports may decline slightly if the drought in Australia ends and beef imports decrease. Exports may show a slight recovery from the sharply reduced 1982 level.

* Per capita consumption of red meats and poultry declined about 5 pounds in 1982. All of this decline resulted from lower pork consumption as available supplies were sharply reduced. Per capita poultry consumption continued its upward trend last year and accounted for a larger percentage of total meats. A part of the increase in poultry use in 1982 was attributable to the sharp decline in broiler exports which meant a larger percentage of the total output had to move into domestic consumption. Per capita consumption of red meats and poultry may drop again in 1983 with most of the decline in pork.

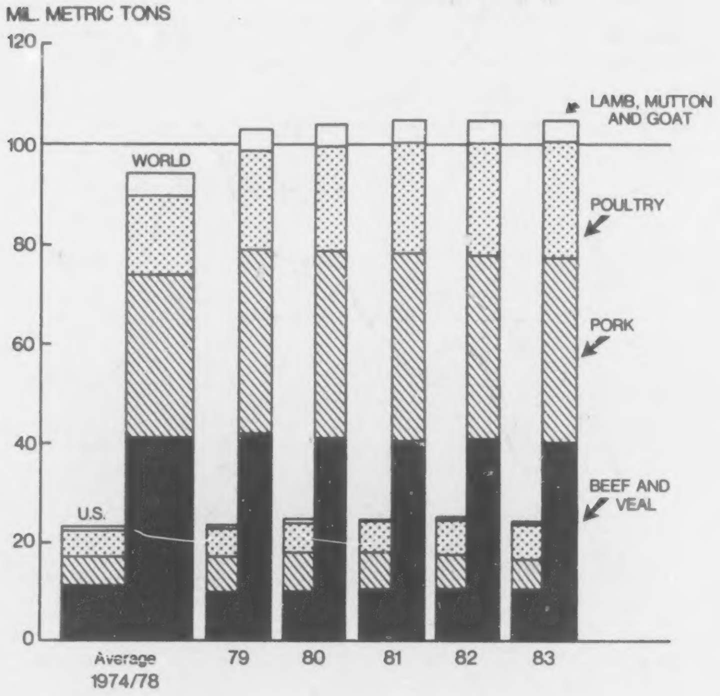
* Despite reduced meat supplies in 1982, livestock prices remained at relatively low levels with the exception of hogs. The weak economy and high levels of unemployment reduced consumer purchasing power and weakened meat demand. Fed cattle prices averaged near year-earlier levels in 1982 while broiler prices declined. The 10-percent cut in pork output helped push hog prices up over $10 per cwt. With total meat output expected to be about unchanged this year and the economy beginning to strengthen, livestock and poultry prices also should strengthen.

- Large feed supplies resulted in lower feeding costs in 1982, helping returns to livestock and poultry producers. Only modest increases in feed costs are anticipated for 1983, but net returns to livestock producers may not change much as livestock prices also rise modestly.

- U.S. milk production rose 2 percent in 1982 as a result of increased output per cow and larger cow numbers. The dairy cow herd averaged almost 1 percent above the year-earlier level. With the number of milk cows still larger than a year ago, another increase in milk output is expected in 1983. Also, relatively favorable feed prices should contribute to a continued high output per cow. Commercial use of dairy products rose about 2 percent in 1982; another increase is likely in 1983 as retail prices of dairy products remain relatively stable. Prices received by farmers for milk declined in 1982 after a very modest increase in 1981. Large supplies and no change in the price support level should once again hold milk prices near the year-earlier level.

- Government purchases of dairy products continued to increase in 1982. Net purchases of dairy products on a milk equivalent basis in calendar 1982 totaled 14.3 billion pounds, up 11 percent from 1981.

U.S. AND WORLD MEAT PRODUCTION



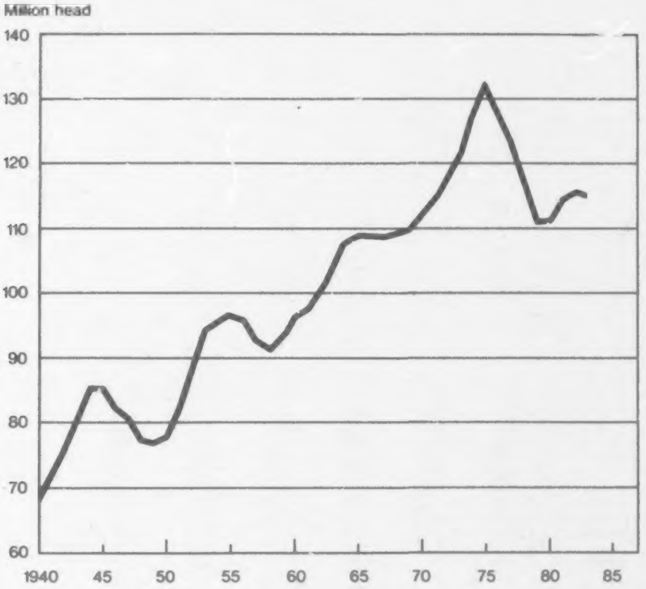
USDA February 1983

U.S. and World 1/ Meat Production

Item	Average 1974/78	1979	1980	1981	1982 2/	1982 3/
	---Million metric tons---					
Beef and veal						
U.S.	11.5	9.9	10.0	10.4	10.4	10.6
World	40.9	40.9	40.6	40.6	40.6	40.3
Pork						
U.S.	5.9	7.0	7.5	7.2	6.5	6.1
World	32.7	37.0	37.8	37.7	37.1	36.8
Poultry						
U.S.	5.3	6.5	6.6	7.0	7.0	7.2
World	16.3	19.9	20.9	22.0	22.3	23.0
Lamb, mutton and goats						
U.S.	.2	.1	.1	.2	.2	.2
World	4.5	4.3	4.5	4.6	4.5	4.5

1/ Includes the major meat-producing countries except China.
2/ Preliminary.
3/ Forecast.

Cattle on Farms, January 1

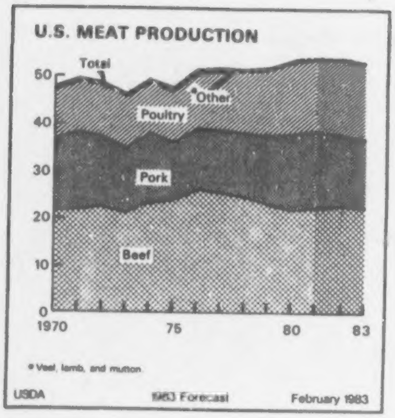


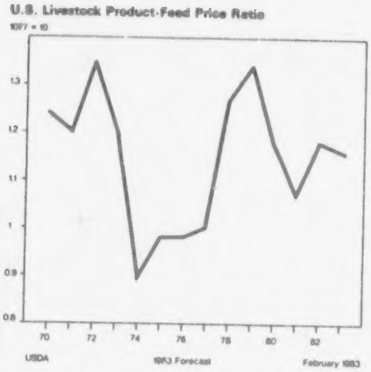
USDA

February 1983

Cattle on Farms

Item	1940	1950	1960	1970	1975	1980	1981	1982	1983
	- - - Million head - - -								
Cattle on farms	68.3	78.0	96.2	112.4	132.0	111.2	114.3	115.6	115.2
All cows	35.6	37.9	43.3	48.8	56.9	47.9	49.6	50.3	49.1
Beef cows	10.7	15.9	25.7	36.7	45.7	37.1	38.7	39.3	38.1
Dairy cows	24.9	22.0	17.6	12.1	11.2	10.8	10.9	11.0	11.0



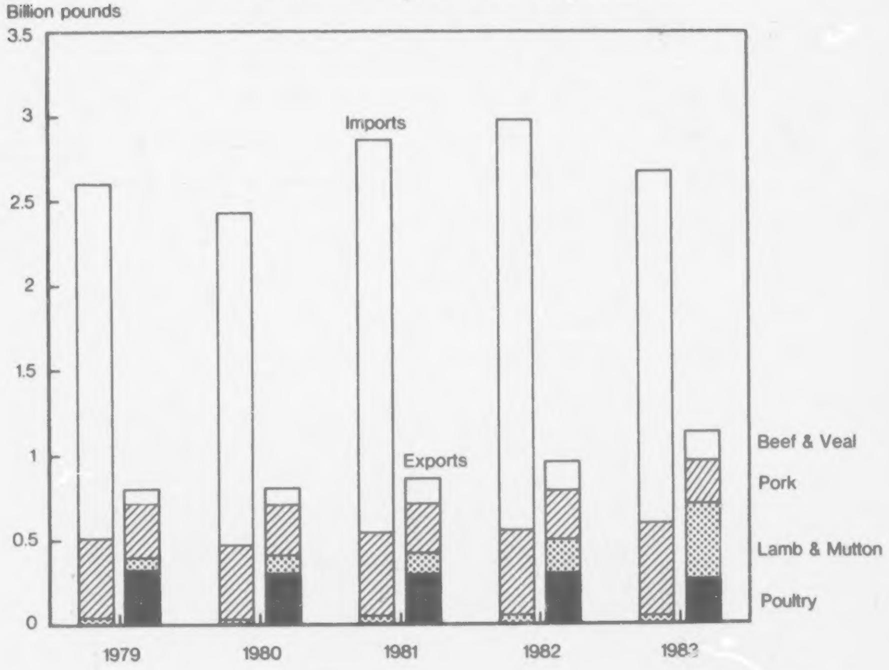


Meat Production and Feed/Price Ratio

Item	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983 1/
					---Billion pounds---					
Beef	21.7	24.0	26.0	25.3	24.2	21.4	21.6	22.4	22.5	22.9
Pork	14.7	11.8	12.7	13.2	13.4	15.4	16.6	15.9	14.3	13.6
Poultry	10.2	10.6	11.8	12.1	12.9	14.3	14.5	15.3	15.4	15.7
Other	1.1	1.3	1.2	1.2	.9	.7	.7	.8	.8	.7
Total	47.7	47.7	51.7	51.9	51.5	51.9	53.5	54.3	53.0	53.0
					---Ratio---					
Livestock/feed price ratio	1.24	.98	.98	1.00	1.27	1.34	1.17	1.07	1.18	1.16

1/ Forecast.

U.S. Meat Exports and Imports



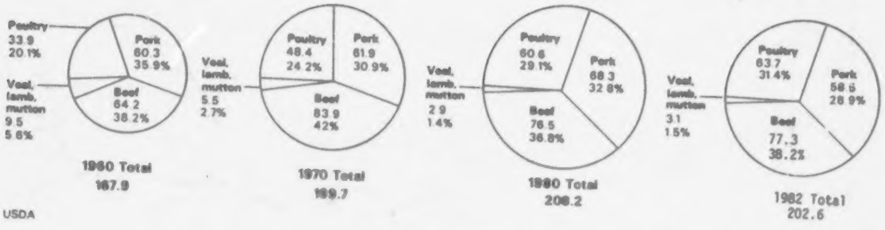
USDA 1983 Forecast February 1983

U.S. Meat Exports and Imports

Year	Beef and Veal		Pork		Lamb and Mutton		Poultry		Total	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	---Billion pounds---									
1976	2.095	.089	.469	.316	.036	.004	0	.387	2.600	.796
1977	1.963	.103	.440	.294	.022	.005	0	.401	2.425	.803
1978	2.322	.162	.495	.288	.039	.003	0	.411	2.856	.856
1979	2.431	.171	.499	.291	.044	.001	0	.488	2.974	.951
1980	2.085	.176	.550	.252	.033	.001	0	.696	2.669	1.125
1981	1.761	.221	.541	.307	.031	.002	0	.826	2.334	1.356
1982	1.973	.254	.600	.220	.019	.003	0	.575	2.592	1.052
1983 1/	1.841	.278	.600	.200	.020	.003	0	.642	2.461	1.123

1/ Forecasts.

Per Capita Meat Consumption
Lbs. retail weight equivalent



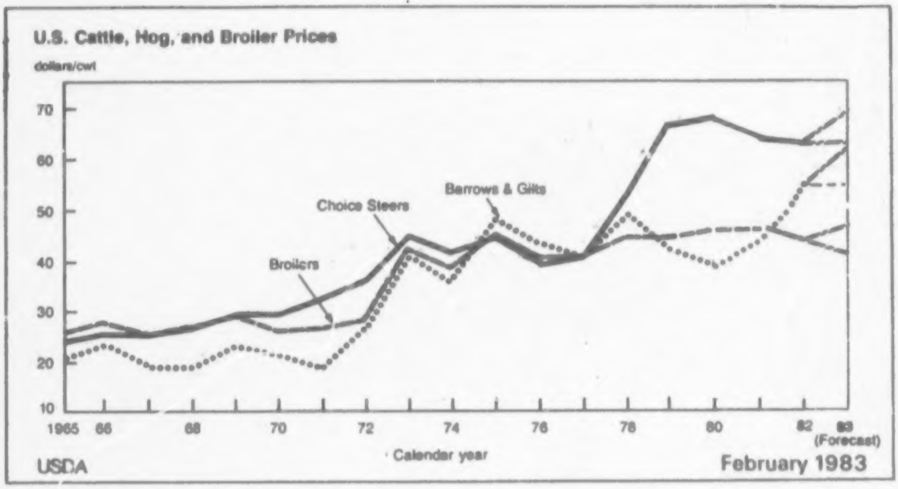
USDA

February 1983

Per Capita Meat Consumption
(Retail Weight Basis)

Item	1960	1970	1975	1980	1981	1982	1983 1/
				--- Pounds ---			
Beef	64.2	83.9	87.9	76.5	77.2	77.3	77.6
Veal	5.2	2.6	3.4	1.5	1.6	1.6	1.5
Pork	60.3	61.9	50.7	68.3	65.0	58.5	54.9
Lamb and mutton	4.3	2.9	1.8	1.4	1.4	1.5	1.3
Total red meat	134.0	151.3	143.7	147.7	145.2	138.9	135.2
Broilers	23.4	36.8	36.7	47.0	48.6	49.7	50.4
Turkeys	6.1	8.0	8.5	10.5	10.7	10.8	10.8
Other chicken	4.4	3.6	3.4	3.1	3.1	3.2	3.0
Total poultry	33.9	48.4	48.6	60.6	62.4	63.7	64.2
Total Meat	167.9	199.7	192.3	208.2	207.6	202.6	199.4

1/ Forecast.



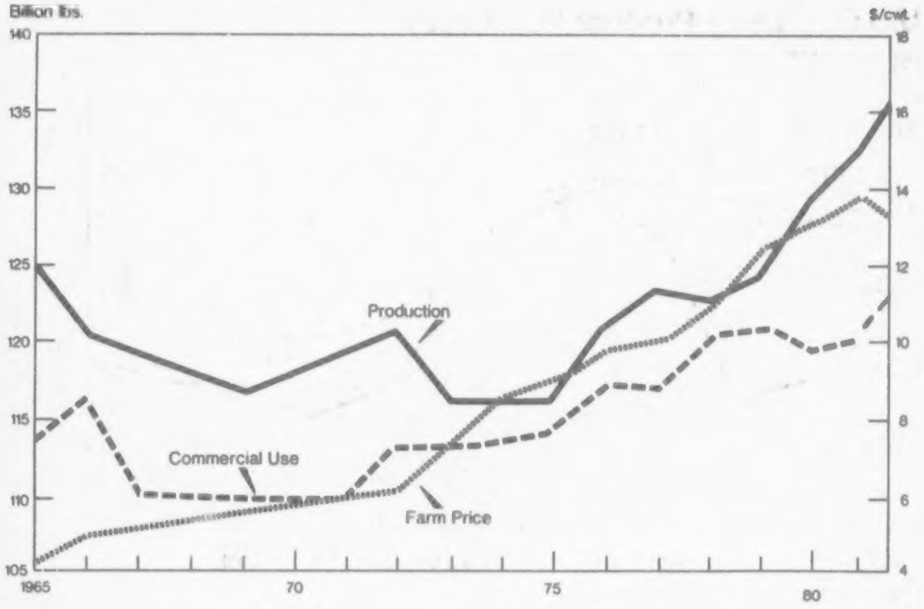
U.S. Cattle, Hog, and Broiler Prices

U.S. cattle, hog, and broiler prices

Item	1965	1970	1975	1976	1978	1979	1980	1981	1982	1983 1/
	Calendar									
	- - - Dollars/cwt. - - -									
Choice steers	24.99	29.36	44.61	39.11	52.34	67.75	66.97	63.84	64.23	64-68
Barrows and gilts	21.30	21.95	48.32	43.11	48.49	42.06	40.04	44.45	55.44	55-61
Broilers	26.40	26.40	45.10	40.20	44.50	44.40	46.80	46.30	44.00	41-47

1/ Forecast.

U.S. Milk Production Use and Prices



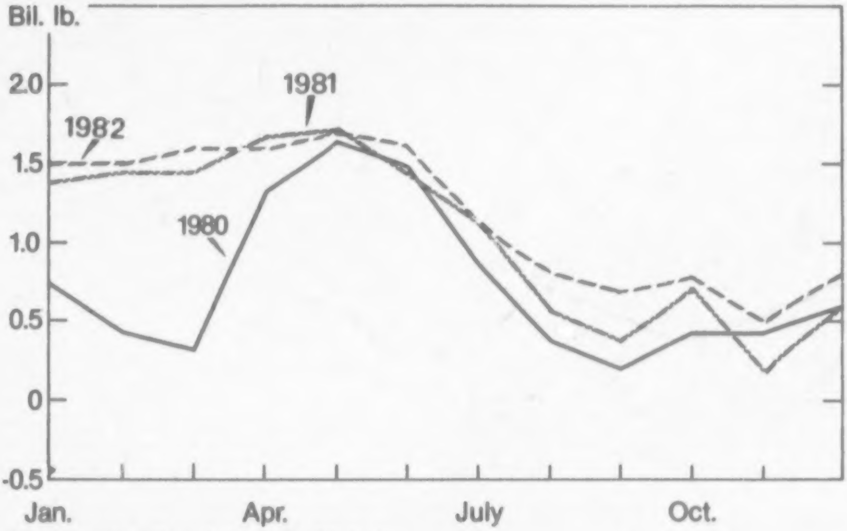
USDA

February 1983

U.S. Milk Production, Use and Prices

Item	1965	1970	1975	1976	1978	1979	1980	1981	1982
	---Billion pounds---								
Production	124.2	117.0	115.4	120.2	121.5	123.4	128.5	133.0	135.8
Commercial Use	113.9	109.2	113.8	116.3	118.8	120.2	119.2	120.5	123.0
	---Dollars/cwt.---								
Farm Price	4.23	5.71	8.75	9.66	10.60	12.00	13.00	13.80	13.56

U.S.D.A. Dairy Product Purchases*



*Net removals, milk equivalent, fat-solids basis.
^Negative figures denote domestic sales exceeded purchases.

USDA February 1983

USDA Dairy Product Net Purchases

Item	1978	1979	1980	1981	1982
	--- Million pounds ---				
Butter	112	82	257	352	382
Cheese	40	40	350	563	643
Nonfat dry milk	285	255	634	851	953
Milk equivalent	2,743	2,119	8,800	12,861	14,291

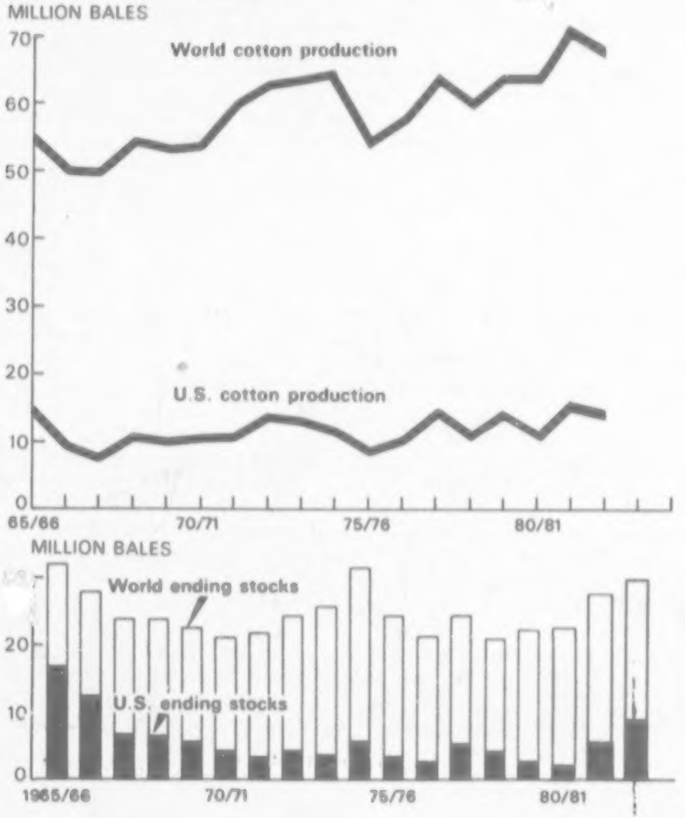
Cotton

* The 1982/83 world cotton situation is highlighted by record supplies, relatively weak demand, increasing stocks, and low prices. Based on February indications, the crop is estimated at 67.9 million bales, down 3.2 million from last season because of smaller U.S. production. However, with beginning stocks at an 8-year high, the supply totals a record 95.4 million bales. On the demand side, mill use is forecast at 66.5 million bales, up nearly a million bales, primarily reflecting larger Chinese consumption. As a result, ending stocks are projected at 28.9 million bales, up 1.4 million from the carryin, and prices remain near depressed year-earlier levels.

* Increasing U.S. cotton stocks account for this season's buildup in global stocks. U.S. ending stocks are placed at 8.4 million bales, up nearly 2 million from a year earlier as disappearance again falls short of production. Output totaled 12 million bales, reflecting record yields on 28 percent smaller acreage. Reduced export demand is responsible for smaller use. Exports are estimated at 5 million bales, compared with 6.6 million in 1981/82. On the positive side, mill use is expected to slightly exceed last season's 50-year low of 5.3 million bales. Still, with nearly a 10-month supply of cotton expected to be on hand next July 31, prices are virtually setting on the 57-cent-per-pound loan rate.

* The world cotton outlook for 1983/84 points to improved demand, smaller production, and lower stocks. With the acreage reduction and PIK program expected to cut U.S. acreage and production moderately, global output may range from 64-69 million bales, compared with 67.9 million this season. In contrast, consumption is projected to continue its upward trend, gaining perhaps 1-2 million bales based on some recovery in textile activity in the United States and major foreign consuming nations. This prospective development should also aid recovery in world trade. Thus, stocks may be worked down somewhat from the season's high beginning level.

COTTON: WORLD AND U.S. PRODUCTION AND ENDING STOCKS



1982/83 Forecast

USDA

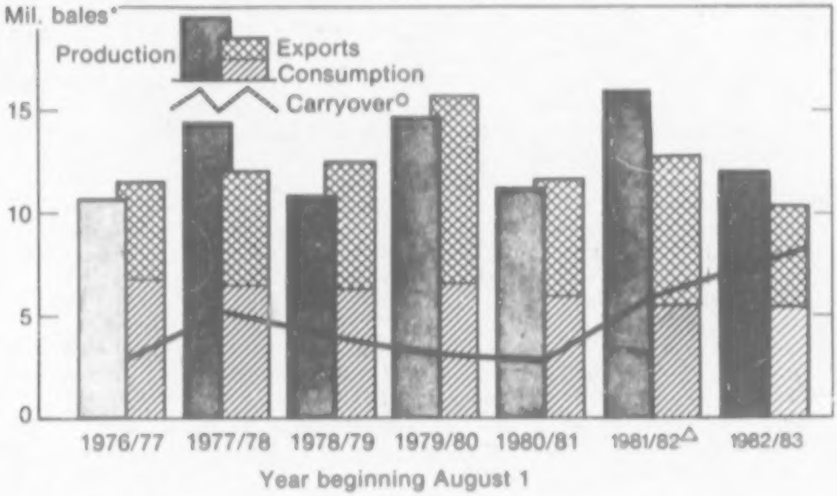
February 1983

World Cotton Production and Utilization

Item	1970/71	1975/76	1980/81	1981/82	1982/83 1/
	---Million bales---				
Production	55.0	54.0	65.3	71.1	67.9
Consumption	57.3	61.7	65.8	65.7	66.5
Exports	17.7	19.1	19.7	20.3	17.5
Ending stocks	21.8	23.1	22.8	27.5	28.9

1/ Forecast; Southern Hemisphere crops, which account for 10 percent of global output, are not yet harvested. Global utilization is more uncertain.

U.S. Cotton Production, Use And Carryover



*480-Pound Net Weight Bales. ○Ending. △Preliminary

USDA February 1983

U.S. cotton production, use and carryover

Item	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	Forecast 1982/83
	- - - Million bales - - -						
Production	10.6	14.4	10.9	14.6	11.1	15.6	12.0 ± .2
Consumption	6.7	6.5	6.4	6.5	5.9	5.3	5.4 ± .2
Exports	4.8	5.5	6.2	9.2	5.9	6.6	5.0 ± .6
Ending stocks	2.9	5.3	4.0	3.0	2.7	6.6	8.4 ± 1.0
	- - - Cents/pound - - -						
Farm price	64.1	52.3	58.4	62.5	74.7	54.3	58.5 1/

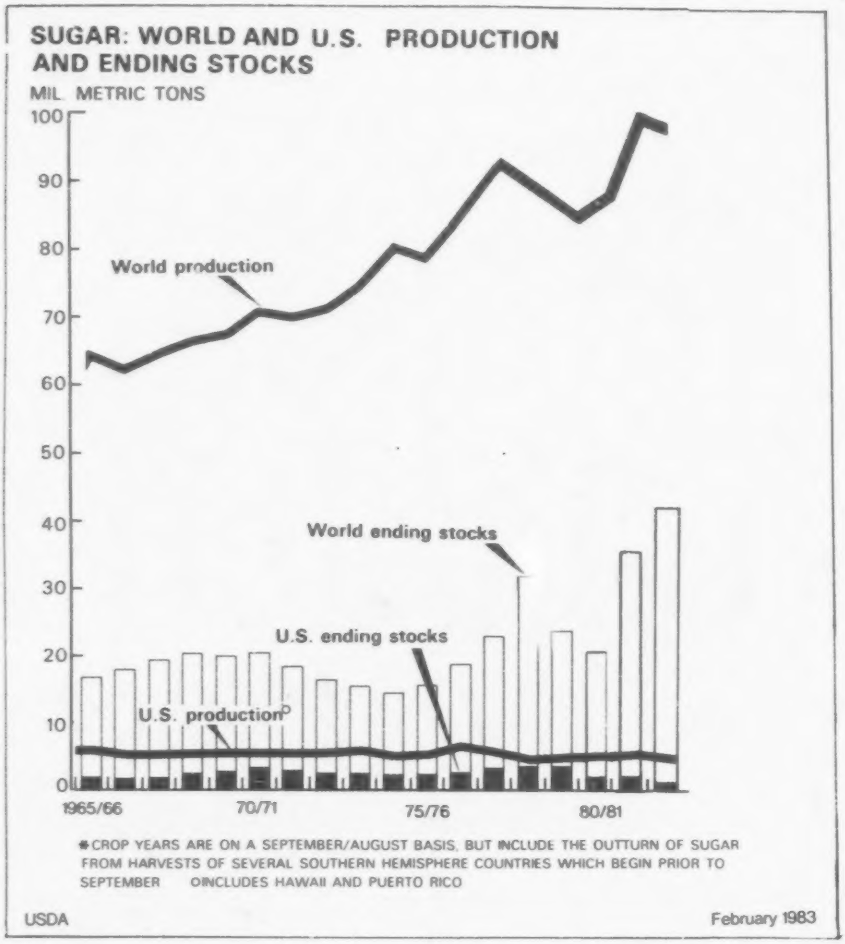
1/ Weighted average price during the first 5 months of the season. This is not a forecast for 1982/83.

Sugar

- The 1982/83 world sugar situation is highlighted by production well in excess of consumption for the second consecutive year and, consequently, low prices. Production is estimated at 98.5 million tons, slightly below last season's record 100 million but over 6 million above consumption. As a result, stocks are expected to increase to about 42 million tons by the end of the season, up nearly a fifth from the beginning level. U.S. stocks are estimated at 1.3 million tons, down from 1.5 million a year earlier.

- With excess supplies and sluggish demand, world sugar prices came under severe pressure in 1982. Prices declined from 13 cents per pound in January to less than 6 cents late in the year and have continued near this level. Burdensome supplies are expected to keep prices under pressure through 1983.

- Although overall U.S. per capita sweetener consumption has remained about constant over the past decade, use of sugar has declined dramatically. Increased use of generally cheaper high fructose corn syrup (HFCS) is responsible. Since 1970, HFCS use jumped from virtually zero to nearly 27 pounds per person, while sugar use declined from more than 100 pounds to about 74 pounds per person.



SUGAR: WORLD AND U.S. PRODUCTION AND ENDING STOCKS

*CROP YEARS ARE ON A SEPTEMBER/AUGUST BASIS, BUT INCLUDE THE OUTTURN OF SUGAR FROM HARVESTS OF SEVERAL SOUTHERN HEMISPHERE COUNTRIES WHICH BEGIN PRIOR TO SEPTEMBER °INCLUDES HAWAII AND PUERTO RICO

USDA

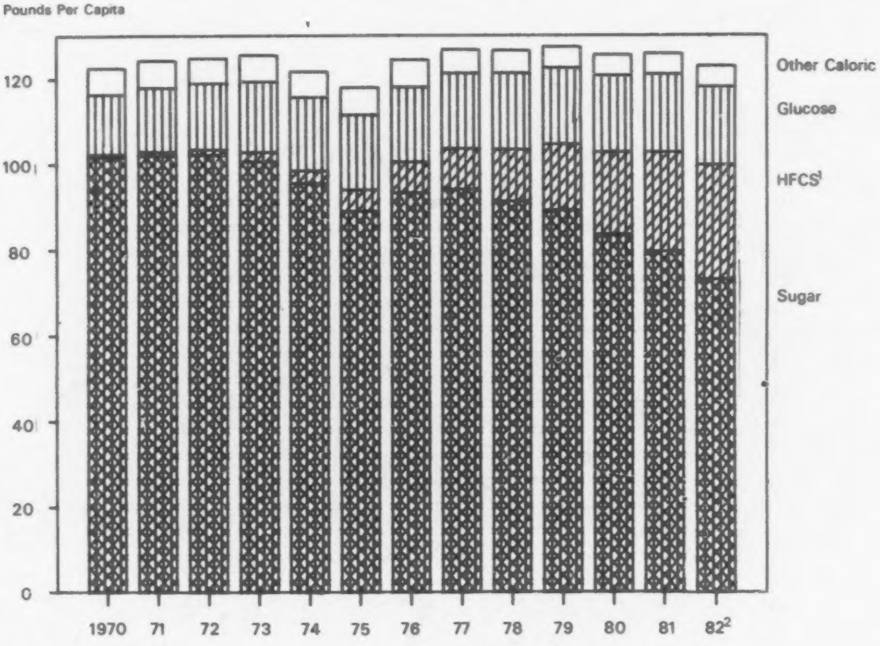
February 1983

Sugar Production and Stocks

Item	1970/71	1975/76	1980/81	1981/82	1982/83
Production					
World	70.7	81.7	88.9	100.0	98.5
United States	5.6	6.6	5.4	5.5	5.2
Ending Stocks					
World	19.0	21.0	25.0	35.4	41.7
United States 1/	1.5	1.3	1.4	1.5	1.3

1/ Includes Hawaii.

U.S. Per Capita Sweetener Consumption



¹High Frutose Corn Syrup
²1982 Preliminary

USDA February 1983

U.S. Sweetener Consumption

Year	Sugar	HFCS	Glucose	Other Caloric	Total
			- - - Pounds per capita - - -		
1970	101.7	0.7	14.0	6.1	122.5
1971	102.1	.9	14.9	6.4	124.3
1972	102.3	1.3	15.4	5.9	124.9
1973	100.8	2.1	16.5	6.2	125.6
1974	95.6	3.0	17.2	6.0	121.8
1975	89.1	5.0	17.5	6.4	118.0
1976	93.4	7.2	17.5	6.3	124.4
1977	94.2	9.5	17.6	5.5	126.8
1978	91.4	12.1	17.8	5.3	126.6
1979	89.3	15.4	17.8	5.0	127.5
1980	83.7	19.2	17.6	4.8	125.3
1981	79.5	23.3	17.8	4.9	125.5
1982 1/	73.7	26.7	18.0	4.9	123.3

1/ Preliminary.

Commodity Stocks and Prices

* Expanded 1982/83 crop supplies and weak demand will mean increased carryover stocks. Farm prices remain at reduced levels because of the supply-use imbalance.

* Projected corn stocks of around 3-1/2 billion bushels next October 1 are up 50 percent from beginning stocks and more than triple 1981 stocks. Farm prices of $2.32 in mid-January were up from the October low of $1.98 but remained 9 percent below a year earlier.

* U.S. wheat stocks on June 1 are projected at about 1-1/2 billion bushels, up around 30 percent from beginning stocks. Mid-January prices of $3.54 per bushel were above the July low of $3.26 but remained 6 percent below the year-earlier level.

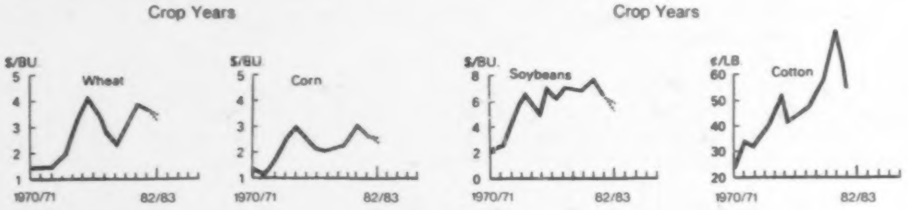
* Projected soybean stocks of around 390 million bushels next September 1 are nearly 50 percent above beginning stocks. Prices have strengthed from seasonal lows but, at around $5.56 per bushel in mid-January, remain around 9 percent below last year.

* Cotton stocks are showing another increase in 1982/83, likely rising to nearly 8-1/2 million bales by August and triple the stocks level of 2 years earlier. Cotton prices also are above the low level of last August.

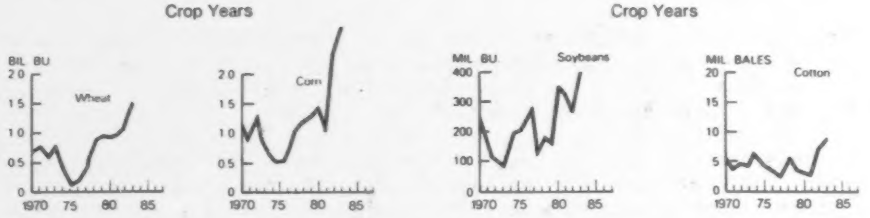
* Prospective developments in 1983/84 could provide the basis for some improvement in prices. Crop production is likely to be reduced in 1983 as farmers respond to programs designed to reduce acreage, including the Payment-In-Kind (PIK) program. At the same time, demand for agricultural products should benefit modestly from economic recovery at home and abroad.

U.S. COMMODITY STOCKS AND PRICES

Season Average Prices



Ending Stocks



USDA

February 1983

U.S. Commodity Stocks and Prices

Year	Season average prices				Ending stocks			
	Corn	Wheat	Soybeans	Cotton	Corn	Wheat	Soybeans	Cotton
	-------- Dol. per bu. --------			Cents/lb.	--- Bil. bu. ---		Mil. bu.	Mil. bales
1975/76	2.54	3.56	4.92	51.3	400	665	245	3.6
1976/77	2.15	2.73	6.81	64.1	886	1,112	103	2.9
1977/78	2.02	2.33	5.88	52.3	1,111	1,177	161	5.3
1978/79	2.25	2.97	6.66	58.4	1,304	924	174	4.0
1979/80	2.52	3.78	6.28	62.5	1,617	902	359	3.0
1980/81	3.11	3.91	7.57	74.7	1,034	989	318	2.7
1981/82	2.45	3.65	6.08	54.3	2,286	1,164	268	6.6
1982/83	2.30-2.50	3.40-3.50	5.25-5.75	58.5 1/	3,434	1,577	390	8.4

1/ Weighted average for first 5 months of the marketing season; not a projection for 1982/83.

Food Prices and Inflation

* Housing costs continued to be a major source of rising consumer prices in 1982. Medical costs also rose substantially and price increases in both sectors exceeded food price increases.

* Higher food marketing costs were the major reason the CPI for food increased in 1982, a pattern that has persisted since 1974. Limited increases in farm commodity prices kept food's contribution to the CPI small this past year.

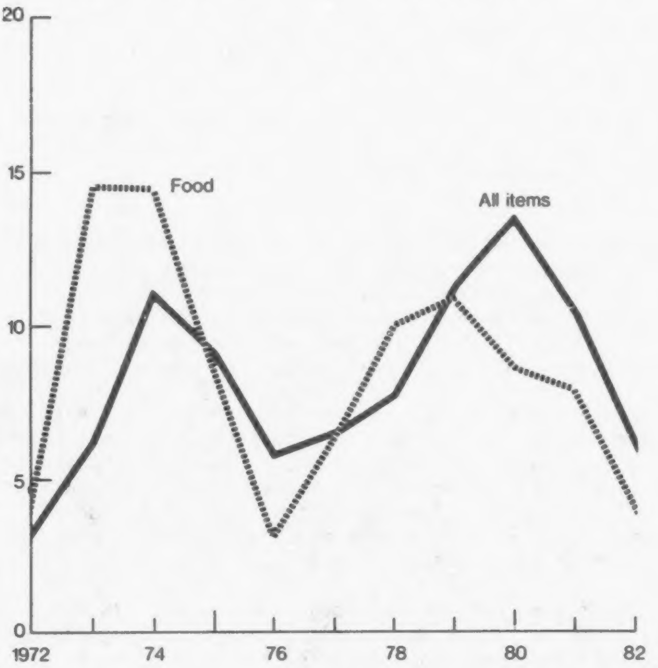
* Retail food prices in 1982 averaged 4 percent higher, down from a 7.9 percent rise the previous year. Relatively large supplies of foodstuffs and weak demand due to the recession combined to hold the food price increase well below the 6.2 percent annual average increase in the overall CPI for all items. Last year was the fourth consecutive year that food prices were up less than prices for nonfood goods and services.

* Falling farm commodity prices in the last part of 1982 held the annual average increase in the farm value of foods to 1 percent, accounting for less than one-tenth of the rise in grocery store food prices. Higher food marketing costs pushed the farm-to-retail price spread up 5 percent, accounting for over three-fourths of the food price increase. The remainder was a result of a 2.7 percent increase in prices for imported foods, such as coffee, fish and seafood.

* Consumers spent $298 billion for food grown on U.S. farms in 1982. About $213 billion was for labor, packaging, transportation, and other costs associated with processing and distributing food after it left the farm gate; producers received the remaining $85 billion. These nonfarm costs have been a steady source of rising consumer outlays for food.

* Expenditures for food in the United States continue to be a smaller share of total expenditures than in other countries. Expenditures for food eaten at home in the United States have averaged 12-14 percent of total expenditures in recent years, compared with 14-16 percent in Canada, 20-24 percent in the Federal Republic of Germany, about 30-35 percent in the Soviet Union, and an average of 60-70 percent in most developing countries.

Percent Change in Consumer Price Index



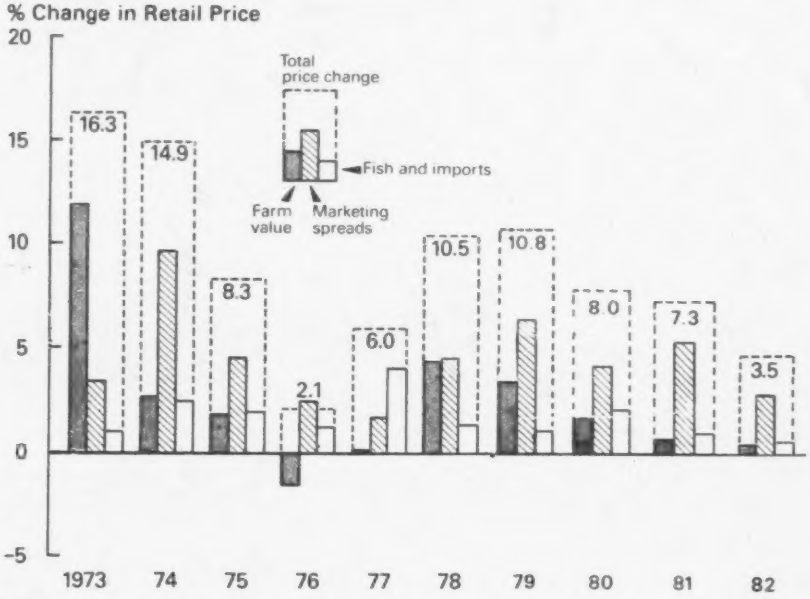
USDA 1982 Forecast February 1983

Changes in the Consumer Price Index

Year	All Items	Housing	Medical care	Transportation	Food
1972	3.3	3.9	3.2	1.1	4.3
1973	6.2	4.5	3.9	3.3	14.5
1974	11.0	11.6	9.3	11.2	14.4
1975	9.1	10.8	12.0	9.4	8.5
1976	5.8	6.2	9.5	9.9	3.1
1977	6.5	7.0	9.6	7.1	6.3
1978	7.7	8.7	8.4	4.7	10.0
1979	11.3	12.2	9.3	14.3	10.9
1980	13.5	15.7	10.9	17.8	8.6
1981	10.4	11.5	10.8	12.1	7.9
1982 1/	6.2	7.2	11.7	4.0	4.1

1/ Forecast.

CONTRIBUTORS TO CHANGES IN FOOD PRICES



Farm value and marketing spread from U.S. farm-food market basket.
Total price change from food-at-home index, Bureau of Labor Statistics.

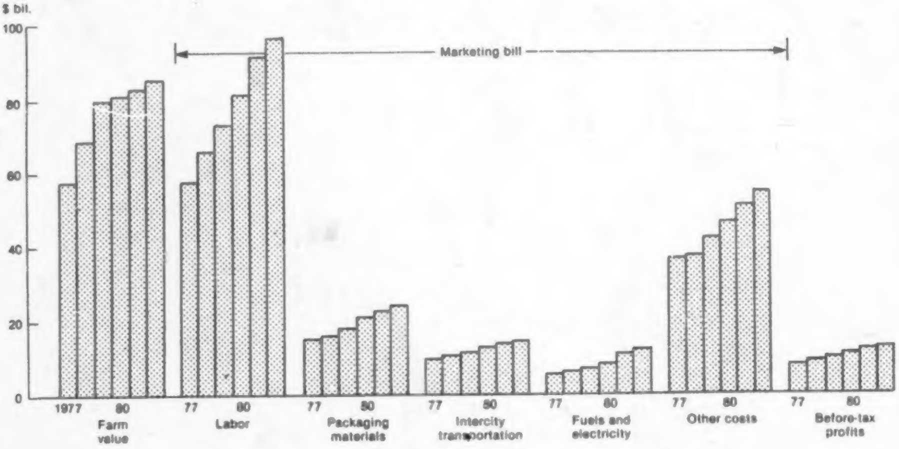
USDA

February 1983

Contributors to Changes in Food-At-Home Index

Item	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
					- - - Contribution - - -					
Farm value	11.6	3.2	1.3	-1.8	0.1	4.5	3.4	1.7	.9	.3
Fish and imports	1.0	2.5	1.9	1.2	4.1	1.4	1.2	2.1	1.0	.5
Marketing spread	3.7	9.2	5.1	2.7	1.8	4.6	6.2	4.2	5.4	2.7
					- - - Percent change - - -					
Total	16.3	14.9	8.3	2.1	6.0	10.5	10.8	8.0	7.3	3.5

Components of U.S. Farm Food Expenditures



Other costs include depreciation, rent, advertising and promotion, interest, property taxes and insurance, accounting and professional services, and many miscellaneous items. 1980 preliminary.

USDA

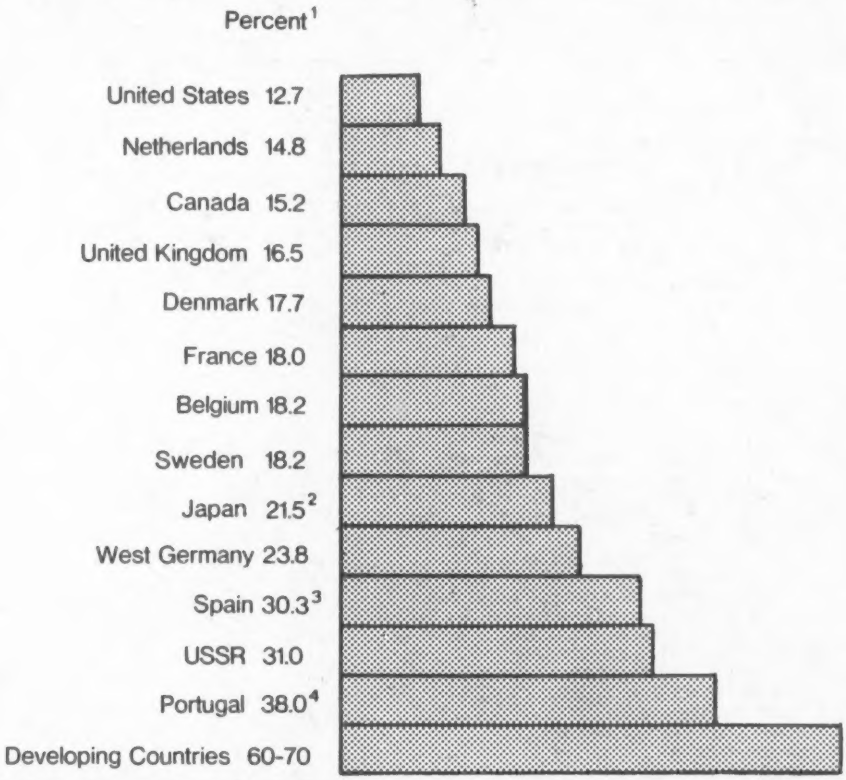
February 1983

Components of U.S. Farm Food Expenditures

Item	1975	1976	1977	1978	1979	1980	1981	1982
	- - - Billion dollars - - -							
Farm value	55.6	58.3	58.0	69.4	78.4	81.1	82.4	85.0
Labor 1/	48.7	53.7	58.4	66.0	73.8	80.7	90.7	96.5
Packaging	13.5	14.6	15.2	16.5	18.4	21.1	22.9	23.2
Transportation	8.5	9.1	9.8	10.5	11.6	12.7	14.1	14.7
Fuels & electricity	4.6	5.0	5.6	6.3	7.6	9.0	10.9	11.4
Corporate profits before taxes	7.5	7.6	8.0	9.2	9.9	11.0	12.0	12.2
Other	30.6	35.4	37.3	38.4	41.5	45.2	51.5	55.0
Total	167.0	183.3	192.3	214.3	241.2	260.8	284.5	298.0

1/ Labor used in processing and marketing.

Share of Total Private Consumption Expenditures for Food, 1980



[1] Excludes food purchased in restaurants and hotels as well as most institutional purchases.
[2] 1978. [3] 1977. [4] 1976.

Sources: U.N. Yearbook of National Accounts Statistics, 1979, Vols. I and II for Japan, Portugal, Spain, and Developing Countries. USSR percent is a USDA/ERS estimate.

Organization for Economic Cooperation and Development National Accounts Statistics, 1963-80, Volume 2, July 1982 for all other countries.

UNITED STATES DEPARTMENT OF AGRICULTURE

Statement of Increases and Decreases in Budget Authority, 1984 Budget Estimates Compared with 1983 Estimates
($ in Thousands)

Agency or Item	1983 Estimate	1984 Estimate	Increase or Decrease
OFFICE OF THE SECRETARY:			
Program and policy direction and coordination:			
Office of the Secretary	2,361	2,387	+26
Under/Assistant Secretaries	2,334	2,658	+324
Total, Office of the Secretary	4,695	5,045	+350
DEPARTMENTAL ADMINISTRATION:			
Budget and Program Analysis	3,634	3,710	+76
Personnel	2,053	2,482	+429
Finance and Management	2,134	2,203	+69
Operations	2,375	2,452	+77
Information Resources Management	3,900	3,900	--
Minority Affairs	2,200	2,000	-200
Small and Disadvantaged Business Utilization	310	320	+10
Regulatory hearings and decisions	729	752	+23
TOTAL, Departmental Administration	17,335	17,819	+484
STANDARD LEVEL USER CHARGES	56,377	69,402	+13,025
ADVISORY COMMITTEES	1,398	1,398	--
OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS:			
Public Affairs	6,505	6,645	+140
Congressional Affairs	449	477	+28
Intergovernmental Affairs	428	447	+19
TOTAL, Office of Governmental and Public Affairs	7,382	7,569	+187
OFFICE OF THE INSPECTOR GENERAL:			
Audits and investigations	43,004	44,579	+1,575
OFFICE OF THE GENERAL COUNSEL:			
Legal services	13,912	14,976	+1,064
FEDERAL GRAIN INSPECTION SERVICE:			
Standardization activities	3,162	3,186	+24
Compliance activities	2,386	3,675	+1,289
TOTAL, Federal Grain Inspection Service	5,548	6,861	+1,313
AGRICULTURAL RESEARCH SERVICE:			
Animal Production Efficiency Research	87,218	89,325	+2,107
Research on Plant Production Efficiency	181,502	186,053	+4,551
Research on the use and improvement of soil, water and air	63,519	64,496	+977
Processing, Storage and Distribution Research	88,260	91,402	+3,142
Research on Human Nutrition	27,631	29,042	+1,411
Repair and Maintenance of Facilities	11,092	11,092	--
Contingency Research Fund	1,000	1,000	--
Subtotal, Agricultural Research Service	460,222	472,410	+12,188
Buildings and Facilities:			
Old West Veterinary School, Lincoln, Nebraska	827	--	-827
Small Farm Experiment and Demonstration Station, Oklahoma	350	--	-350
Forage Seed Production and Research Center, Corvallis, Oregon	750	--	-750
Subtotal, Buildings and Facilities	1,927	--	-1,927
TOTAL, Agricultural Research Service	462,149	472,410	+10,261

Agency or Item	1983 Estimate	1984 Estimate	Increase or Decrease
COOPERATIVE STATE RESEARCH SERVICE:			
Payments under the Hatch Act	149,295	149,295	--
Cooperative forestry research	12,452	12,452	--
Payments to 1890 Colleges and Tuskegee Institute	22,394	22,394	--
Special research grants	27,775	15,482	-12,293
Competitive research grants	17,000	21,500	+4,500
Animal health and disease research Section 1433	5,760	--	-5,760
Federal administration (direct appropriation)	273	592	+319
1890 Facilities	10,000	10,000	--
TOTAL, Cooperative State Research Service	244,949	231,715	-13,234
EXTENSION SERVICE:			
Smith-Lever:			
For Sections 3b&c	230,376	230,376	--
Section 3d:			
Pest management	7,531	--	-7,531
Farm safety	1,020	--	-1,020
Urban gardening	3,000	--	-3,000
Food and nutrition education	60,354	34,821	-25,533
Pesticide impact assessment	1,716	--	-1,716
1890 Colleges and Tuskegee Institute	16,241	16,241	--
Renewable Resources Extension Act	2,000	--	-2,000
D. C. extension	983	983	--
Federal administration and coordination	5,433	4,661	-772
TOTAL, Extension Service	328,654	287,082	-41,572
NATIONAL AGRICULTURAL LIBRARY:			
Extend hours of service and improve quality and timeliness of service	--	251	+251
Purchase of books, journals, and materials in other formats; special access services	500	821	+321
Timely processing and input into the AGRICOLA database	394	606	+212
Center of Excellence	--	120	+120
Repair and maintenance of facilities	200	300	+100
All Other	7,638	7,775	+137
TOTAL, National Agricultural Library	8,732	9,873	+1,141
ANIMAL AND PLANT HEALTH INSPECTION SERVICE:			
International programs	1,335	1,672	+337
Agricultural Quarantine Inspection	46,177	50,744	+4,567
Import-Export of Animals	4,956	7,211	+2,255
Interstate Inspection	4,950	5,440	+490
Screwworm	48,900	52,410	+3,510
Biocontrol of Plant Pests	3,477	3,250	-227
Boll Weevil	957	786	-171
Golden Nematode	1,007	900	-107
Grasshopper and Morman Cricket	1,327	--	-1,327
Gypsy Moth	5,175	1,500	-3,675
Imported Fire Ant	5,809	600	-5,209
Japanese Beetle	104	--	-104
Mediterranean Fruit Fly	8,051	6,000	-2,051
Noxious Weed	789	100	-689
Pink Bollworm	2,393	1,500	-893
Range Caterpillar	160	--	-160
Tri-fly Environmental Impact Statement	200	--	-200
Witchweed	4,723	1,100	-3,623
Animal Welfare	4,865	1,568	-3,297
Brucellosis	83,383	50,555	-32,828
Poultry Disease	743	620	-123
Scabies	493	--	-493
All Other	41,493	42,384	+891
Subtotal, Animal and Health Inspection Service	271,467	228,340	-43,127
Proposed Legislation	--	-3,600	-3,600
Buildings and facilities	2,386	2,386	--
TOTAL, Animal and Plant Health Inspection Service	273,853	227,126	-46,727

Agency or Item	1983 Estimate	1984 Estimate	Increase or Decrease
FOOD SAFETY AND INSPECTION SERVICE:			
Slaughter inspection	183,331	186,128	+2,797
Processing inspection	87,446	89,143	+1,697
Import-export inspection	5,357	5,494	+137
Laboratory services	19,491	20,426	+935
Grants to States	32,205	34,505	+2,300
Subtotal, Food Safety and Inspection Service	327,830	335,696	+7,866
Proposed Legislation	--	-2,000	-2,000
TOTAL, Food Safety and Inspection Service	327,830	333,696	+5,866
ECONOMIC RESEARCH SERVICE:			
Soil and water resources analysis	1,968	3,318	+1,350
Natural resource data collection	--	1,000	+1,000
Farmland values survey	108	858	+750
Farm production expenditures and cost of production surveys	2,171	2,671	+500
Relocation costs	--	545	+545
All Other	34,683	36,632	+1,949
TOTAL, Economic Research Service	38,930	45,024	+6,094
STATISTICAL REPORTING SERVICE:			
Crop data improvement	6,875	7,725	+850
Crop Reporting Board Electronic Report System	150	575	+425
Acquisition of LANDSAT data	200	350	+150
All Other	44,635	47,128	+2,493
TOTAL, Statistical Reporting Service	51,860	55,778	+3,918
AGRICULTURAL COOPERATIVE SERVICE:			
Research and technical assistance to agricultural cooperatives	4,639	3,677	-962
WORLD AGRICULTURAL OUTLOOK BOARD:			
Acquisition of LANDSAT remote sensing data	50	100	+50
All Other	1,413	1,422	+9
TOTAL, World Agricultural Outlook Board	1,463	1,522	+59
AGRICULTURAL MARKETING SERVICE:			
Marketing Services:			
Market news	14,074	14,114	+40
Inspection, grading and standardization	15,039	12,823	-2,216
Market protection and promotion	1,567	1,215	-352
Wholesale market development	1,543	--	-1,543
Market supervision and assistance	2,575	2,579	+4
Subtotal, Marketing Services	34,798	30,731	-4,067
Proposed Legislation	--	-1,806	-1,806
Payments to States and Possessions	1,000	--	-1,000
TOTAL, Agricultural Marketing Service	35,798	28,925	-6,873
OFFICE OF TRANSPORTATION:			
Salaries and Expenses	2,416	2,523	+107
PACKERS AND STOCKYARDS ADMINISTRATION:			
Administration of Packers and Stockyards Act	8,834	9,013	+179
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:			
Salaries and Expenses:			
Program formulation and appraisal	13,707	13,545	-162
Operation of supply adjustment, conservation and price support program	318,593	314,828	-3,765
Inventory management and merchandising	38,157	37,706	-451
Total, Salaries and Expenses	370,457	366,079	-4,378
Portion to be financed through transfers from CCC	-314,818	-311,733	+3,085
Subtotal, Direct Appropriations: Salaries and Expenses	55,639	54,346	-1,293
Proposed Legislation	--	-2,360	-2,360
Total, Direct Appropriations, Salaries and Expenses	55,639	51,986	-3,653

Agency or Item	1983 Estimate	1984 Estimate	Increase or Decrease
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE (Cont'd):			
Dairy Indemnity Program:			
Indemnity payments to dairy farmers	5,000	--	-5,000
Indemnity payments to manufacturers of dairy products	2,000	--	-2,000
Total, Dairy Indemnity Program	7,000	--	-7,000
Agricultural Conservation Program:			
Cost-sharing and technical assistance to farmers	190,000	56,000	-134,000
Forestry Incentives Program:			
Cost-share assistance to landowners	12,500	--	-12,500
Water Bank Program:			
Annual payments to landowners and operators	8,800	--	-8,800
TOTAL, Agricultural Stabilization and Conservation Service	273,939	107,986	-165,953
FEDERAL CROP INSURANCE CORPORATION:			
Administrative and Operating Expenses:			
Underwriting, actuarial and program development	14,625	15,016	+391
Marketing and collections	94,912	76,950	-17,962
Contract servicing and claims	126,403	187,021	+60,618
Total, Administrative and Operating Expenses	235,940	278,987	+43,047
Subscription to Capital Stock	150,000	- -	-150,000
Federal Crop Insurance Corporation Fund:			
Premium subsidy	115,575	170,000	+54,425
Agents' commissions	27,658	20,251	-7,407
Loss adjustment	--	4,632	+4,632
Total, Federal Crop Insurance Corporation Fund	143,233	194,883	+51,650
TOTAL, Federal Crop Insurance Corporation	529,173	473,870	-55,303
COMMODITY CREDIT CORPORATION:			
Reimbursement for net realized losses	10,466,057	10,173,636	-292,421
OFFICE OF RURAL DEVELOPMENT POLICY:			
Salaries and Expenses	2,030	2,388	+358
FARMERS HOME ADMINISTRATION:			
Rural Housing Insurance Fund:			
Loan levels:			
Direct loans	(24,000)	(1,000)	(-23,000)
Insured loans	(3,290,000)	(299,000)	(-2,991,000)
Rural Rental Assistance	(123,745)	(--)	(-123,745)
Reimbursement for losses	1,282,748	1,508,082	+225,334
Total, Rural Housing Insurance Fund	1,282,748	1,508,082	+225,334
Agricultural Credit Insurance Fund:			
Loan levels:			
Real estate loans	(840,100)	(680,000)	(-160,100)
Operating loans	(1,510,000)	(1,860,000)	(+350,000)
Soil conservation loans	(30,000)	(--)	(-30,000)
Emergency loans (disaster)	(2,000,000)	(1,540,000)	(-460,000)
Reimbursement for losses	682,074	895,522	+213,448
Total, Agricultural Credit Insurance Fund	682,074	895,522	+213,448
Rural Development Insurance Fund:			
Loan levels:			
Water and sewer facility loans	(375,000)	(250,000)	(-125,000)
Industrial development loans (guaranteed)	(300,000)	(--)	(-300,000)
Community facility loans	(130,000)	(100,000)	(-30,000)
Reimbursement for losses	336,217	477,829	+141,612
Total, Rural Development Insurance Fund	336,217	477,829	+141,612

Agency or Item	1983 Estimate	1984 Estimate	Increase or Decrease
FARMERS HOME ADMINISTRATION (Cont'd):			
Rural Water and Waste Disposal Grants:			
Water supply	85,000	61,200	-23,800
Waste disposal	36,250	26,100	-10,150
Combination-water and waste disposal	3,750	2,700	-1,050
Total, Rural Water and Waste Disposal Grants	125,000	90,000	-35,000
Very Low-Income Housing Repair Grants	12,500	--	-12,500
Rural Housing for Domestic Farm Labor	(12,500)	4,393	+4,393
Mutual and Self-Help Housing	12,500	--	-12,500
Rural Community Fire Protection Grants	3,250	--	-3,250
Rural Rental Assistance Payments	(123,745)	62,000	+62,000
Compensation for construction defects	2,000	--	-2,000
Salaries and Expenses:			
Increase in direct appropriation for additional staff-years previously financed from revolving funds for servicing loans	--	15,156	+15,156
Increase to provide for 186 additional staff-years	--	3,796	+3,796
Increased travel related to additional staff and field servicing	15,821	17,903	+2,082
Restoration of absorbed pay costs and medicare increase effective in 1983	--	2,304	+2,304
Decrease due to non-recurring contract costs	10,535	7,340	-3,195
Decrease in equipment costs	4,412	4,000	-412
Decrease in transportation of things	907	944	-63
All other expenses for administration of grant and direct and insured loan programs	271,102	271,102	--
Subtotal, Salaries and Expenses	302,777	322,445	+19,668
Transfer from loan accounts	-4,000	-4,000	--
Total, Direct Appropriation, Salaries and Expenses	298,777	318,445	+19,668
TOTAL, Farmers Home Administration	2,755,066	3,356,271	+601,205
RURAL ELECTRIFICATION ADMINISTRATION:			
Rural Electrification and Telephone Revolving Fund:			
Rural Electrification Program:			
Insured loans	(850,000)	(500,000)	(-350,000)
Loan guarantee commitments	(4,500,000)	(3,235,000)	(-1,365,000)
Total, Rural Electrification Program	(5,450,000)	(3,735,000)	(-1,715,000)
Rural Telephone Program:			
Insured loans	(250,000)	(75,000)	(-175,000)
Loan guarantee commitments	(145,000)	(125,000)	(-20,000)
Total, Rural Telephone Program	(395,000)	(200,000)	(-195,000)
Total, Rural Electrification and Telephone Revolving Fund	(5,845,000)	(3,935,000)	(-1,910,000)
Rural Telephone Bank:			
Capitalization	(30,000)	(--)	(-30,000)
Loan level	(185,000)	(185,000)	(--)
Total, Rural Telephone Bank	(215,000)	(185,000)	(-30,000)
Rural Communication Development Fund:			
Reimbursements for losses	91	375	+284
Salaries and Expenses	29,500	29,585	+85
TOTAL, Rural Electrification Administration	29,591	29,960	+369
SOIL CONSERVATION SERVICE:			
Conservation Operations:			
Technical assistance	250,994	262,871	+11,877
Inventory and monitoring	19,505	14,098	-5,407
Soil survey	51,423	52,324	+901
Snow survey and water forecasting	3,796	3,843	+47
Operation of plant materials centers	3,836	3,895	+59
Resource appraisal and program development	5,995	4,282	-1,713
Total, Conservation Operations	335,549	341,313	+5,764

Agency or Item	1983 Estimate	1984 Estimate	Increase or Decrease
SOIL CONSERVATION SERVICE (Cont'd):			
River Basin Surveys and Investigations:			
USDA cooperative studies	11,635	9,819	-1,816
Flood plain management assistance	1,950	1,400	-550
Interagency coordination and program formulation	2,834	2,045	-789
Total, River Basin Surveys and Investigations	16,419	13,264	-3,155
Watershed Planning:			
Continuation of ongoing planning efforts	8,877	7,715	-1,162
Watershed and Flood Prevention Operations:			
Watershed operations authorized by Public Law 534	23,200	15,179	-8,021
Emergency watershed protection operations	10,000	--	-10,000
Small watersheds authorized by Public Law 566	151,396	81,414	-69,982
Total, Watershed and Flood Prevention Operations	184,596	96,593	-88,003
Resource Conservation and Development:			
Technical assistance	14,728	--	-14,728
Financial assistance	10,850	--	-10,850
Loan services	166	--	-166
Total, Resource Conservation and Development	25,744	--	-25,744
Great Plains Conservation Program:			
Cost-sharing assistance	12,151	6,357	-5,794
Cost-share program and contract administration	2,933	2,933	--
Technical assistance	6,231	6,231	--
Total, Great Plains Conservation Program	21,315	15,521	-5,794
TOTAL, Soil Conservation Service	592,500	474,406	-118,094
FOOD AND NUTRITION SERVICE:			
Child Nutrition Programs:			
School lunch program	438,000	460,900	+22,900
Special assistance	1,829,483	1,916,948	+87,465
School breakfast program	327,000	345,600	+18,600
State administrative expenses	47,736	40,294	-7,442
Summer feeeding	99,400	101,200	+1,800
Child care feeding	334,900	282,500	-52,400
Commodity procurement	94,200	89,800	-4,400
Nutrition studies and surveys	2,470	2,470	--
Nutrition education and training	5,000	5,000	--
Total, Child Nutrition Programs	3,178,189	3,244,712	+66,523
Transfer from Section 32	-2,281,676	-2,307,295	-25,619
Subtotal, Direct Appropriations: Child Nutrition Programs	896,513	937,417	+40,904
Proposed legislation	--	-312,848	-312,848
Total, Child Nutrition Programs	896,513	624,569	-271,944
Special Milk Program:			
Cash payments to States	20,100	11,920	-8,180
Proposed legislation	--	-200	-200
Total, Special Milk Program	20,100	11,720	-8,380
Special Supplemental Food Programs (WIC):			
Special supplemental food program (WIC)	1,060,000	1,060,000	--
Commodity supplemental food program	32,600	32,600	--
Total, Special Supplemental Food Programs (WIC)	1,092,600	1,092,600	--

Agency or Item	1983 Estimate	1984 Estimate	Increase or Decrease
FOOD AND NUTRITION SERVICE (Cont'd):			
Food Stamp Program:			
Bonus costs	10,049,516	10,911,000	+861,484
State administration	606,637	673,012	+66,375
State anti-fraud activities	15,765	16,600	+835
Other program costs	128,286	66,640	-61,646
Subtotal, Food Stamp Program	10,800,204	11,667,252	+667,048
Proposed legislation	--	-766,000	-766,000
Total, Food Stamp Program	10,800,204	10,901,252	+101,048
Nutrition Assistance for Puerto Rico	825,000	825,000	--
Food Donations Programs:			
Needy Family Program:			
Commodities in lieu of food stamps	45,046	38,122	-6,924
Payments to distributing agencies for administration	11,220	11,939	+719
Total, Needy Family Program	56,266	50,061	-6,205
Elderly Feeding Program	100,000	--	-100,000
Total, Food Donations Programs	156,266	50,061	-106,205
Food Program Administration:			
Federal administrative expenses	82,197	80,387	-1,810
TOTAL, Food and Nutrition Service	13,872,880	13,585,589	-287,291
HUMAN NUTRITION INFORMATION SERVICE:			
Research, analysis, and technical assistance	7,610	6,244	-1,366
Information collection and dissemination	542	320	-222
TOTAL, Human Nutrition Information Service	8,152	6,564	-1,588
FOREIGN AGRICULTURAL SERVICE:			
Foreign agricultural affairs	21,753	23,195	+1,442
Foreign market development	39,894	44,662	+4,768
Foreign market information and Access	9,798	10,346	+548
LANDSAT data	3,507	7,014	+3,507
Office of the General Sales Manager	(5,702)	(5,904)	(+202)
TOTAL, Foreign Agricultural Service	74,952	85,217	+10,265
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT:			
Salaries and Expenses:			
International agricultural development	225	220	-5
International scientific and technical cooperation	3,422	3,296	-126
Caribbean Basin Inititative	--	500	+500
Total, Salaries and Expenses	3,647	4,016	+369
Scientific Activities Overseas (Foreign Currency Program)	2,977	6,149	+3,172
TOTAL, Office of International Cooperation and Development	6,624	10,165	+3,541
PUBLIC LAW 480:			
Financing sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms (Titles I and III)	378,000	402,000	+24,000
Commodities supplied in connection with: dispositions abroad (Title II)	650,000	650,000	--
TOTAL, Public Law 480	1,028,000	1,052,000	+24,000
TOTAL, Direct Appropriations for USDA - Agriculture, Rural Development and Related Agencies Appropriations Bill	31,578,722	31,234,065	-344,657

Agency or Item	1983 Estimate	1984 Estimate	Increase or Decrease
FOREST SERVICE:			
Forest Research	106,672	100,766	-5,906
State and Private Forestry	62,685	25,059	-37,627
National Forest System	1,031,284	872,841	-158,443
Construction	285,566	242,291	-43,275
Acquisition of lands for national forests, special acts	753	780	+27
Acquisition of lands to complete land exchanges	147	20	-127
Range Betterment Fund	5,800	5,200	-600
Land Acquisition	56,877	10,070	-46,807
Total, Forest Service	1,549,784	1,257,026	-292,758
Total, Direct Appropriations for USDA	33,128,506	32,491,091	-637,415
PERMANENT APPROPRIATIONS - FEDERAL FUNDS			
Agricultural Marketing Service:			
Perishable Agricultural Commodities Act Fund	3,272	3,272	--
Funds for Strengthening Markets, Income and Supply (section 32)	2,682,109	2,717,641	+35,532
Commodity Credit Corporation:			
Contract Authority	2,666,064	229,188	-2,436,876
Authority to Borrow	4,671,661	--	-4,671,661
National Wool Act	53,855	87,694	+33,839
Farmers Home Administration:			
Rural Housing Insurance Fund	345,014	--	-345,014
Rural Development Insurance Fund	11,103	--	-11,103
Rural Electrification Administration:			
Rural Electrification and Telephone Revolving Fund	(1,317)	(--)	(-1,317)
Rural Communication Development Fund	646	740	+94
Rural Telephone Bank	(121,517)	(149,808)	(+28,291)
Total, excluding Forest Service	10,433,724	3,038,535	-7,395,189
Forest Service	294,438	427,946	+133,508
TOTAL, Permanent Appropriations, FEDERAL FUNDS	10,728,162	3,466,481	-7,261,681
PERMANENT APPROPRIATIONS - TRUST FUNDS:			
Agricultural Research Service	2,000	2,000	--
Animal & Plant Health Inspection Service	2,878	2,878	--
Food Safety and Inspection Service	719	719	--
Economic Research Service	64	64	--
Statistical Reporting Service	145	145	--
Agricultural Marketing Service	71,676	78,509	+6,833
Soil Conservation Service	700	560	-140
Office of International Cooperation and Development	8,826	10,095	+1,269
Total, excluding Forest Service	87,008	94,970	+7,962
Forest Service	287,039	181,400	-105,639
TOTAL, Permanent Appropriations - TRUST FUNDS	374,047	276,370	-97,677

Agency or Item	1983 Estimate	1984 Estimate	Increase or Decrease
Supplementals:			
Office of International Cooperation and Development:			
Salaries and Expenses:			
Caribbean Basin Initiative	500	--	-500
Scientific Activities Overseas (Foreign Currency Program)	3,172	--	-3,172
Commodity Credit Corporation:			
Current:			
Reimbursement for Net Realized Losses	(5,707,457)	--	(-5,707,457)
Food and Nutrition Service:			
Food Stamp Program	1,189,484	--	-1,189,484
Forest Service:			
National Forest System	59,000	--	-59,000
Total, Supplementals	1,255,618	--	-1,255,618
Proposed Legislation (For Later Transmittal):			
Agricultural Stabilization and Conservation Service:			
Colorado River Basin Salinity Control Program	--	12,550	+12,550
Farmers Home Administration:			
Rural Housing Insurance Fund:			
Current:			
Rural Housing Block Grants	--	850,000	+850,000
Permanent:			
Authority to Borrow	--	3,556,109	+3,556,109
Commodity Credit Corporation:			
Current	-2,672,486	-73,166	+2,599,320
Total, Proposed Legislation (For Later Transmittal)	-2,672,486	4,345,493	+7,017,979
Receipts	-1,102,964	-1,402,341	-299,377
SUBTOTAL, UNITED STATES DEPARTMENT OF AGRICULTURE (Before Rescissions)	41,710,883	39,177,094	-2,533,789
Rescissions:			
Rural Electrification Administration:			
Rural Telephone Bank:			
Current	(-23,400)	--	(+23,400)
Agricultural Research Service:			
Buildings and Facilities	-1,927	--	+1,927
Soil Conservation Service:			
Watershed and Flood Prevention Operations	-68,995	--	+68,995
Resource Conservation and Development	-5,600	--	+5,600
Agricultural Cooperative Service:			
Salaries and Expenses	-779	--	+779
Total, Proposed Rescissions	-77,301	--	+77,301
TOTAL, UNITED STATES DEPARTMENT OF AGRICULTURE	41,633,582	39,177,094	-2,456,488

CURRENT AGRICULTURAL SITUATION

Secretary BLOCK. Mr. Chairman, we know the conditions in agriculture during the past 3 years have not been the most favorable. Prices for major crops in 1982 were at their lowest level since 1978. This was basically a result of record production in this country and weak demand both at home and abroad. At the same time, production costs were increasing because of double-digit inflation rates and interest rates that had risen to record levels. With conditions like this, it is no wonder that farmers have been under pressure.

We do believe that the framework has been set for recovery in the agricultural sector. This administration's economic policies have succeeded in reducing inflation to below 4 percent in 1982, and I might add the farm inflation has been 3.3 percent this past year. It is projected this coming year for the farm inflation to be between zero and 2 percent. Interest rates have declined dramatically and should continue to decline. We have taken several actions to reduce the 1983 crop production, including the acreage reduction program and land diversion program and the payment-in-kind program that was talked about earlier. Finally, we have also instituted some innovations on the export front to help increase demand for our products.

PAYMENT IN KIND

We feel that the payment-in-kind program holds particular promise for the current situation. It will reduce excessive stocks while providing adequate supplies for domestic consumption and world trade, support farm income and enhance support for future market recovery.

EXPORT PROGRAMS

I would like to briefly mention our export program announcement. As you know, the President announced on January 11 a major increase in this year's blended credit program. This program has been very successful. Furthermore, I would also mention the wheat flour sale to Egypt at a competitive price. This will be a step in reestablishing ourselves in this important market.

FARM CREDIT SITUATION

Let me turn to the farm credit situation. Despite attention given to farm foreclosure sales by the media, we must recognize that the vast majority of farm borrowers are meeting their loan obligations. Furthermore, farm credit conditions are improving. Interest rates have declined. Adequate credit is available, and I thank Senator Andrews for bringing the point forward. We do have adequate funds in the Farmers Home Administration. They have been made available to qualified borrowers.

I have met this week, I met 2 weeks ago also, with representatives of the farm credit system, the independent bankers, and the American Banking Association, reviewing ways that the Farmers Home Administration can work with them to insure that adequate credit is made available to agriculture during these difficult times. I have been very,

very pleased with the cooperation we have been able to develop in the past 2 years.

Close to half of the farmers are debt-free. Another one-fourth have debt-asset ratios of less than 20 percent, and that is in line with the rest of the population. Another one-eighth have debt-asset ratios between 20 and 40 percent. These are in a relatively secure position. This does leave about one-eighth of the farmers that are financially vulnerable. As instructed by the President, we will continue to work individually with farmers with debt problems to help them through these tough times. You are aware the President spoke directly to this issue in the State of the Union address. Every effort will be made to stay with borrowers who can truly be helped through FmHA assistance and FmHA supervision. We must recognize not all farmers will be able to stay in business in 1983, which is not that much different than other areas. A blanket moratorium would not solve the problem; it would only endanger the solvency of rural lending institutions.

FISCAL YEAR 1984 BUDGET PROPOSALS

Now, a little about the budget proposals.

For fiscal 1984, the total value of goods and services provided by the Department of Agriculture is estimated at $57 billion, and the outlays associated with this will be $35 billion. Both of these numbers represented slightly more than a 20-percent reduction from the current level estimate of $72 billion. As you can see, it is a dramatic reduction, frankly. The reductions affect many programs, and let's look at what these reductions really mean, which programs are affected, and then we will talk about them.

Commodity credit programs, $6 billion plus; FmHA, $3 billion; export credit guarantees, $1.8 billion; REA electric loans, $1.7 billion; food stamp program, $1 billion; other, $297 million; total of $14.7 billion.

Each program area in the Department was reviewed very extensively in our desire to balance resource needs with the overriding concern to bring the Federal budget under control, and I know that is of concern to this committee. I would like to discuss a few of those changes with you, if I may.

RESEARCH AND EXTENSION

Agricultural research and extension have been for a long time primary goals of this administration. However, the need to restrain Federal spending means that even highly desirable programs will have little or no growth. We have provided a small increase for the Agricultural Research Service and maintained the key programs for the Cooperative State Research Service and Extension Service at the fiscal 1983 level. We did add a basic animal research program to the competitive grants program. We had a lot of requests for that. The earmarked programs are the programs that are reduced.

BRUCELLOSIS PROGRAM

For the Animal and Plant Health Inspection Service, as the Chairman alluded to, we continue to propose shifting the emphasis in the brucellosis program from eradication to control.

EXPORT PROMOTION PROGRAMS

Exports are of prime importance to this administration, and expanding the export of agricultural commodities continues to be a priority. We are proposing an increase of $10.3 million for the Foreign Agricultural Service in 1984. This will provide an increase in the market development function, as well as the maintenance of FAS intelligence analysis activities.

BLENDED CREDIT

As I noted earlier, we are operating a new blended credit export program. It was first announced in October. This program combines direct government credit, at zero interest, with government-guaranteed private loans at commercial rates of interest, to produce an attractive, low-cost financing package. The program is targeted at the developing countries. The initial program of $500 million was extremely successful. In just 2 months, all of the funds were committed. We feel that the vast majority of these funds really amounted to additional markets for the United States.

As a result of this initial success, on January 11, the President announced an additional $1.25 billion in blended credit to be made available this year. I might also say we have already allocated, or prepared to allocate, more than two-thirds of that amount. It does not take long to find places where we can use that kind of money to expand markets. We are concentrating on the concept of additionality, because this is what we are looking for—new sales.

We expect to guarantee at least $3.4 billion in commercial credit, in addition to the $1.4 billion of loan guarantees included in the blended credit program. Total guaranteed credits will be at least $4.8 billion, and the direct credits provide a figure of $5.1 billion.

COMMODITY CREDIT

I might add that when I arrived in the U.S. Department of Agriculture, the guarantees in the Commodity Credit Corporation were $2 billion, and we are looking at $5.1 billion this year. We have made a very aggressive effort to provide adequate funding to export our farm commodities.

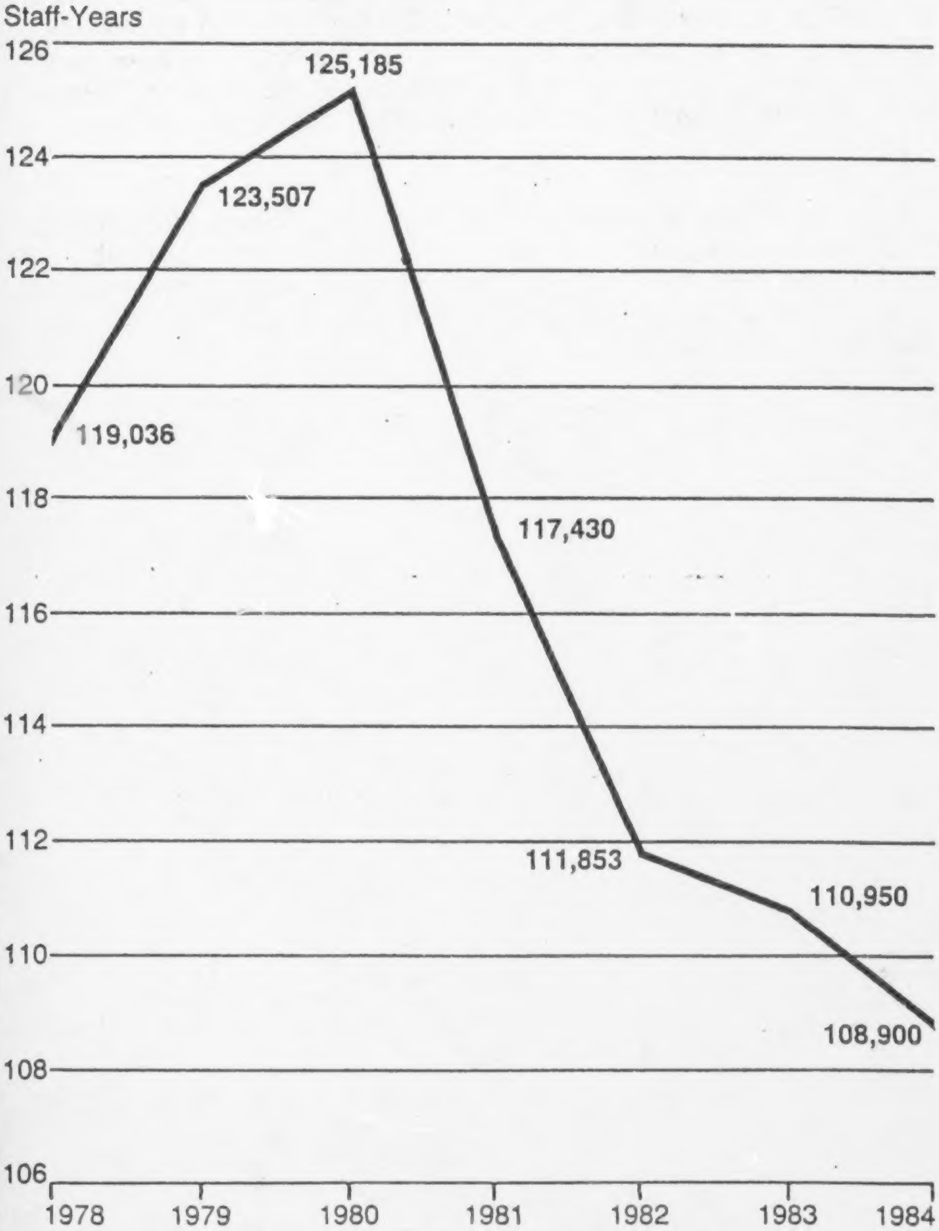
The Commodity Credit Corporation outlays will drop from $18.3 billion in 1983 to $9.3 billion in 1984. We do need the urgent help of Congress to provide adequate funding this year, so CCC can continue to carry out its responsibilities. We are requesting a supplemental appropriation for fiscal 1983 of $5.7 billion to reimburse CCC for its fiscal year losses. For fiscal year 1984, we are requesting $10.2 billion to reimburse CCC for projected paid-for losses.

FARM OPERATING LOANS

The Department of Agriculture will continue to be a significant supplier of credit to rural America. Farm loans continue at $4 billion in fiscal 1984, and, as in the past, we are increasing our emphasis on the farm operating loans. I might also add we are increasing our staff to help service and supervise these loans. We feel it is vitally important. We have been understaffed before, but to demonstrate, we are prioritizing the staff in the Department of Agriculture. The chart shows that our staff-years in 1980 were 125,000. We have dropped the staff-years down to 117,000 in 1981; 111,000 in 1982; and 108,000 is projected for 1984. We are putting priorities on areas where we think more staff is necessary. I hope we are doing an effective job of shrinking the size of government, but doing it in a responsible way.

[The chart follows:]

USDA Employment Staff-Years



LOAN PROGRAMS

Secretary BLOCK. The rural community development loans will be reduced primarily by terminating the business and industry program. Rural electric and telephone loans will be reduced by $1.9 billion to $4.1 billion. Rural housing programs will be consolidated by creating a State-administered housing block grant program. The block grant program, which is budgeted at $850 million for 1984, will make better use of limited Federal dollars and reduce long-term budget deficits.

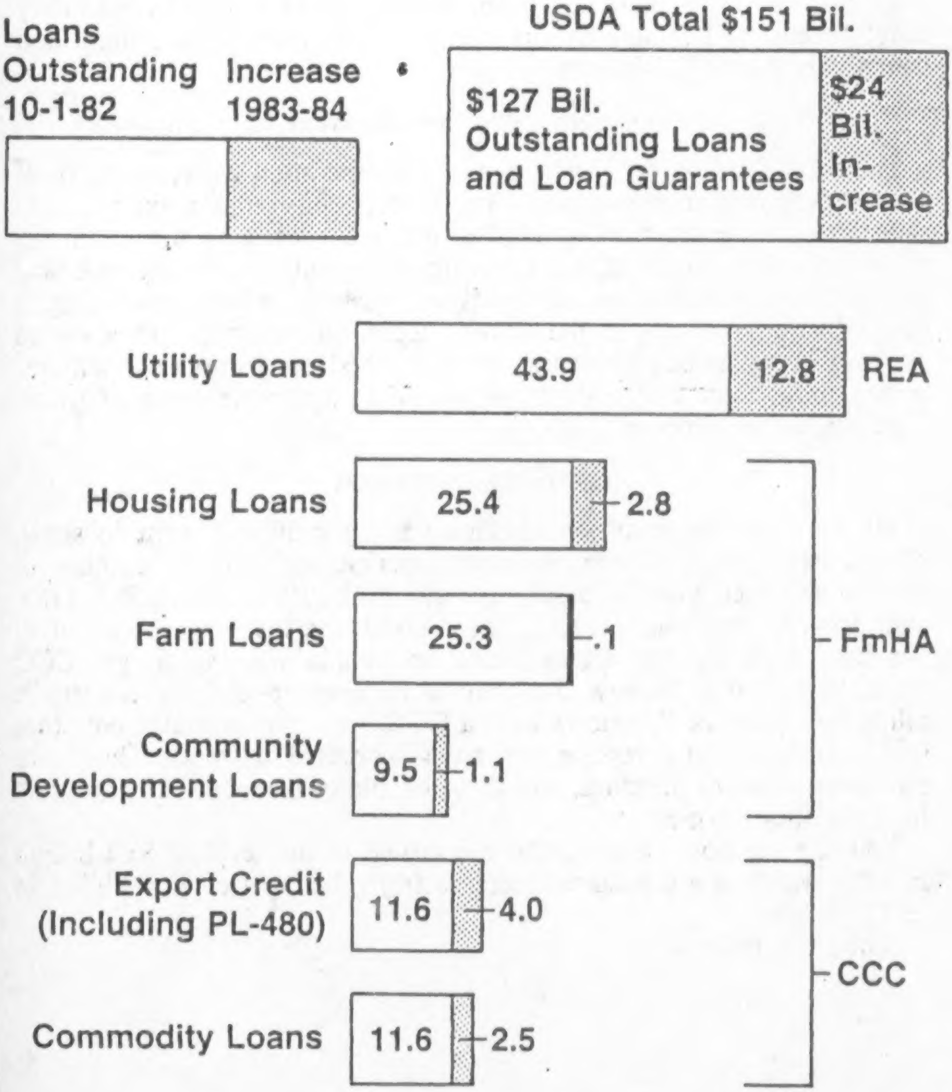
RURAL CREDIT

Even with these belt-tightening measures, total outstanding credit to rural America is estimated to reach $146 billion by the end of 1983 and $151 billion by the end of fiscal year 1984. As you can see from the chart, that is an increase of $24 billion in total outstanding credit since the end of fiscal year 1982.

[The chart follows:]

Distribution of FY 1984 USDA Outstanding Loans and Loan Guarantees

($ in Billions)



HELPING RURAL AMERICA

Secretary BLOCK. So if there is a question, what are we doing to help rural America? Well, you add $24 billion on top of $127 billion in just 2 years, and I submit that is quite a bit being done. We have tried to prioritize where it can be of the greatest amount of use. Utility loans, REA is an addition of $12.8 billion over these years that we project; housing $2.8 billion. Farm loans look very small, but the explanation is that these farm loans are being rolled over, and there is a substantial amount of assistance to keep these farmers in business. Frankly, times are tough, and people aren't paying them off or paying very many of them off. The other increases in outstanding credit include: community development, $1.1 billion; export credit is an increase of $4 billion; and commodity loans, $2.5 billion.

SOIL AND WATER CONSERVATION

The total funding for soil and water conservation activities in fiscal 1984 is proposed at $694 million. The budget constraints make it necessary to recommend a funding level of 6 percent less than the minimum RCA projection; however, the Department's ability to provide technical assistance for conservation activity is unimpaired. What I am saying is our reductions are not in the area of technical assistance; they are in the area of watershed planning and watershed programs, and perhaps, during these tight budgetary times we could postpone some of those. That is what we propose to do.

ASSISTANCE TO FARMERS

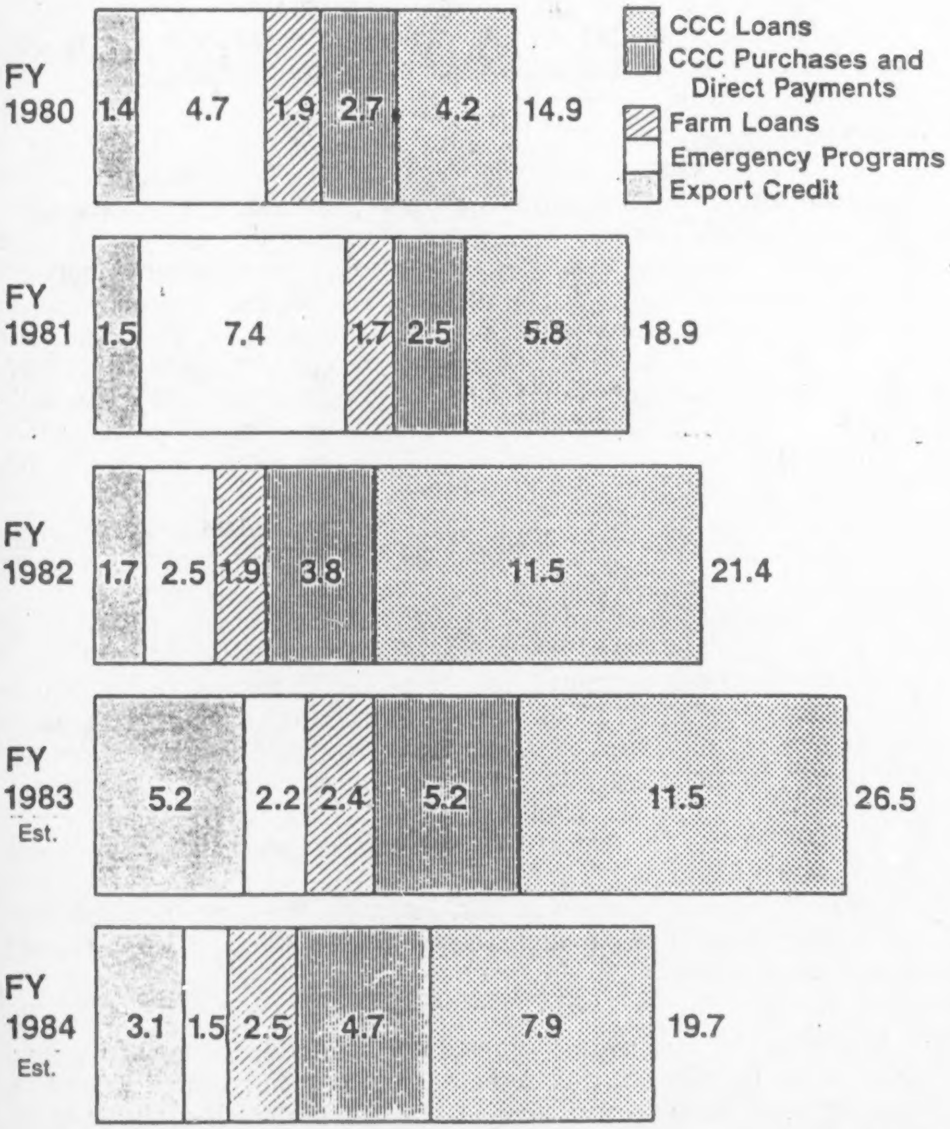
We have another chart on assistance to agriculture I want to show. This is assistance to farmers in rural America, and it is the amount of new money each year. You see new money in 1980, 1981, 1982, 1983, and 1984. As you can see, CCC loans constitute the biggest part of it. We have had, frankly, an explosion in people wanting to get CCC loans. Part of it is because the grain is backing up and the country is piling up a surplus. Producers want a CCC loan. You will also note that CCC purchases and repayments have increased as well. Those are purchases of dairy products, and they are direct payments to producers for deficiency payments.

You can see how export credit has grown to the level of $5.2 billion in 1983, which is a substantial increase from the level of $1.4 billion in 1980.

[The chart follows:]

Assistance To Farmers FY 1980-1984

($ in Billions)



SOIL AND WATER CONSERVATION

Now, back to this soil and water conservation activity. As I pointed out, we are going to keep the money where it is most important, to satisfy the needs of soil erosion and provide for conservation of our resources. Targeting technical assistance to critical areas has proven to be effective, and in 1984, 10 percent of this program is going to be targeted to the areas in greatest need. We are requesting substantial reductions in small watershed planning, as I said, and also the termination of the resource conservation and development program.

The fiscal 1984 budget also recommends reductions in the agricultural conservation program and related cost-share programs.

DOMESTIC FEEDING PROGRAMS

For the food stamp program for fiscal year 1984, the administration's proposals are intended to simplify program administration, increase the responsibility of State and local governments, or the accuracy of their certification, including making States liable for erroneous certification errors exceeding 3 percent of total issuance. We are also proposing legislation that would require States to operate a program that would combine the receipt of food stamp assistance with the opportunity to work. Such a program requires able-bodied food stamp recipients to work at public or private sector jobs as a condition of continued program participation. Total funding requested for 1984 is $10.9 billion, a reduction of $1.1 billion of the current estimate of $12 billion for fiscal year 1983.

The special supplemental program for women, infants, and children, the special milk program, and the food donations program will be carried out at essentially the 1983 resource levels of $1.2 billion.

I have discussed many of the legislative changes we are proposing in support of the fiscal year 1984 budget. A more complete listing of these proposals has been submitted for the record. I appreciate the opportunity to be here today. I look forward to working closely with the committee to accomplish the changes necessary to insure a sustained productivity and financial stability for rural America. That concludes my remarks, Mr. Chairman. Thank you very much for your time.

[CLERK'S NOTE: The legislative proposals to which Secretary Block refers can be found on pages 28–30.]

Senator COCHRAN. Thank you, Mr. Secretary. We appreciate that overview of the agriculture situation and the budget that is being presented to the subcommittee.

PAYMENT IN KIND

The other day, we had an opportunity to question some representatives of the Department with respect to the implementation of the PIK program, and we appreciate your making those officials available to us. I see Dawson Ahalt is here. He came over to our Agriculture Subcommittee and talked about the progress that was being made to implement that program.

One thing that arose during our discussion of that was this question of the tax liability that might be incurred by some farmers upon receipt of the certificate of ownership or warehouse receipts pending a final decision of the Internal Revenue Service. I wonder if the Department is sending to the Congress a request for legislation to clarify the tax liability of farmers in connection with the PIK program, or do you intend to?

Secretary BLOCK. Yes, sir, we have been working with Members of Congress on this. I have been working with Congressman Rostenkowski, Congressman de la Garza, and other Members on the House side, where this legislation is supposed to originate. We had a good day yesterday in the subcommittee of the Ways and Means Committee where legislation was reported out which satisfies our needs here, and I had a call this morning from Congressman Rostenkowski that he will be moving that next week through full committee and has it on a fast track. And I would encourage the Senate to help us out here also, Mr. Chairman, so we can get this legislation.

Senator COCHRAN. Well, I am personally anxious to see us remove any impediments that might exist to participation in the program by farmers. I think we do need to see participation at large levels in order to have a successful program and realize some upward movements in market prices.

What analysis have you made of the impact on market prices at this point in the early stage of the PIK program? I know the sign-up is not complete yet, but has there been any impact that has occurred with respect to market prices after you made your announcement?

Secretary BLOCK. Well, our analysis indicated that we could expect maybe a 10- or 15-percent increase in price. The fact is, since some of the lows, the price has gone up in some grains as much as 30 cents. I don't know what that means. It means the markets are looking at the situation and feel maybe there will be pretty good support for the program. They also are looking at the free stock situation. It is really very difficult to project. We don't expect a price explosion this year because of the program. Frankly, we can't cut the stocks enough to do something like that, but it may well take 2 years in some cases.

MARKET PRICE PROBLEM

Senator COCHRAN. I am continuing to have the opinion that we do need to be sure that we have a balanced approach to the market price problem and not try to cure the entire problem by just cutting back on acreage production. I know you have a similar view. An example is the effort that you continue to make to expand our sales of commodities abroad, using the blended credit program you have described, and Senator Abdnor called attention to the wheat flour transaction with Egypt. I want to join him in applauding you for your initiatives in that area. Do you have any basis for encouragement that there could be other transactions of this kind using surplus commodities that are held by the Commodity Credit Corporation as a bonus part of a transaction, so that American farmers can look forward to regaining some of the lost shares of market we have seen around the world?

Secretary BLOCK. Mr. Chairman, I would not rule that out. I will not guarantee that it will happen either. Right now we are in discussions with the European Community in an effort to arrive at some kind of accommodation where we can resolve some of our trade disputes. It is an important market to us. We don't look forward to a trade war. However, we do feel obligations to give the American farmer an opportunity to compete and a tool to compete. I think we are going to evaluate that on a case-by-case basis if we decide another rifle shot is necessary, but we need to give this a little time to work out. Certainly, I am encouraged. I think the sale to Egypt did get the attention of the Community.

Senator COCHRAN. Well, I think we probably need to do more than get somebody's attention. I think we have to start being more aggressive in the international trade area. If somebody said if you do too much, you are going to start a trade war, my response would be that we are already in a trade war, and we are losing. Unless we do more for our farmers in trying to move our commodities, it is going to be too late to rectify the situation. I am glad to see these initiatives are being taken. I hope you have continuing successes as you do battle with the State Department and other people downtown with whom you have to deal. We wish you well in those continuing efforts.

Senator Eagleton?

FOOD STAMP CUTS

Senator EAGLETON. Thank you, Mr. Chairman.

M Secretary, one of the charts Mr. Dewhurst held up shows there is a recommended cut of another $1 billion in food stamps. In the 1981–82 Reconciliation Act, about 1 million people were deleted or removed from food stamp eligibility and about $2 billion a year in cuts were approved. You are recommending a cut of yet another billion. Every night we see on the network television news shows scenes of either a Salvation Army soup kitchen, people lined up all the way out to the street to get a bowl of soup, or some church-related site where clerics are serving food to needy people. We see 10,000 people lined up to get 20 jobs. All of these situations have been portrayed nightly on television.

Hopeful as we are that we have bottomed out of the recession and are slowly edging up, in light of what we know to be the economic distresses in the country that there is still a staggering number of people out of work, hungry, undernourished, how is it you can recommend another $1 billion cut in the food stamp program over and beyond all that which has already been experienced in 1981 and 1982?

Secretary BLOCK. Well, Senator Eagleton, I share the sensitivity that you do and the rest of the members of the committee of the difficult times some of our citizens face, and I know that we do, as you suggest, see this on television; we read about it; it is very real in many cases. I feel that the savings we are talking about are not the kind of savings that are going to affect those people that you are talking about. The savings we are talking about are because we are requiring the States to do a better job of administering the programs so there is not as much waste and not as much error. And I think you may well be aware of a recent GAO report that is critical of some of the jobs being done.

Senator EAGLETON. Mr. Secretary, that is the same song and dance we get every time—that it is not going to hurt needy people; nobody is going to be hurt; this is supposed to target waste, fraud, and abuse, as if that were a line item in the budget. I am against waste. Every member of this committee up here is against waste, fraud, and abuse. You can't keep giving the same song and dance that nobody is going to go hungry as a result of this; it is purely going to be done through administrative tightening up of the rules and regulations and being more pristine in the execution of the program.

Secretary BLOCK. Well, Senator, we are really not going to change who is going to get the aid. We are projecting savings. We are all in favor of reducing error, and we do feel error can be reduced with a better job. And like I said, in accordance with the GAO's critical analysis of some of the jobs being done in the country, this plan is to bring some of the error down and make that savings.

I would point out that this year we are coming in for a supplemental. We are going to be sure we satisfy the needs of the people on food stamps. Those on food stamps right now are getting more food for the food stamps than they got 2 or 3 years ago. The food stamps actually provide them more food. We are trying to be as sensitive as possible, and I appreciate your concern on the issue.

Senator EAGLETON. Well, moving on to another area in hunger and nutrition, and this, in part, is a follow-on to what I understand to be Senator Andrews' opening statement, although I wasn't here when he addressed this area.

DISTRIBUTION OF SURPLUS COMMODITIES

This subcommittee in our report on the fiscal 1983 appropriations bill directed the Department to provide CCC funds for local distribution of surplus commodities. The House report provided that same direction to the Department of Agriculture. Now, legislation authorized by Senator Dole and others which would mandate such aid is moving through the authorizing committee. As of the end of 1982, CCC had over 400 million pounds of butter, 1 billion pounds of cheese, 1.3 billion pounds of dried milk, as well as other commodities which could be processed and distributed to the poor. According to my information, storage alone of the surplus we have will cost over $70 million this fiscal year, and over $90 million for fiscal 1984.

Does the administration support the Dole bill, and will you provide additional funds for processing and distribution of commodities at the local level?

Secretary BLOCK. Senator, this past year we provided and donated over a billion dollars' worth of dairy products to needy people. We have been aggressive in expanding that program, starting with cheese and moving to butter and now looking toward expanding it into nonfat dried milk. This program has worked very well, and it is in enormous demand. I think it is a real success story with participation of both the Federal Government, State government, local governments, and private people who have given their time, and that is not a bad way to get a job done.

The question about where do we stand on the legislation that Senator Dole and others have proposed, we have not taken a specific stance on that as yet. I will say this much. As I look at it, the portion of the talks about making available surplus commodities that the government owns, needs to be given serious consideration. Certainly, some of these commodities are not quite what the consumer needs. They need a basket of flour to make it into cornmeal or cornflakes. I do agree we need to look at that carefully, especially commodities we happen to have in surplus.

Senator EAGLETON. Do you have a date when you will know whether or not you will support the Dole bill? Will you have a decision on that before mid-March?

Secretary BLOCK. It will be before that, sir. I would suspect within the next week or so.

COMMODITIES RELEASED IN MICHIGAN

Senator EAGLETON. On December 16, the Department announced that increased quantities of food commodities would be released in Michigan, and USDA would pay for the distribution of local commodities in that State. I think that is excellent, and I know the enormous plight of Michigan. It is nationally recognized as, perhaps, America's number one disaster area.

First of all, what commodities have been released in Michigan, and does the USDA intend to offer to pay local distribution costs for distribution in other States affected almost as disastrously? Tennessee has enormous unemployment; Kentucky is not good. My State of Missouri is not robust. First, what commodities did you make available there, and second, do you plan to broaden that program to other grief-stricken areas?

Secretary BLOCK. Senator, I may not have all the details on the activity in Michigan. What we do is make the surplus commodities available at local points. They are further distributed by local governments and private citizens from there. And I understand that we really don't have the authority to provide for the distribution all the way to the consumer; we don't have the legislative authority. But we are trying to get this food to a centralized location so it can be delivered the rest of the way by local people. That is where we stand on that right now. Whether we are going to go to other areas yet, I can't say. I don't know whether we are. I know that is a hard-hit area, and certainly, that is why we did it there.

Senator EAGLETON. Would you give us for the record, Mr. Secretary, a written analysis of how well you think this distribution has worked in Michigan, and then inform the committee, if you would, in the next 2 or 3 weeks, based on what that analysis shows, whether you intend to go to West Virginia, Tennessee, Pennsylvania, Ohio, other States that have problems, maybe not quite as severe as Michigan's, but perilously close thereto.

Secretary BLOCK. Yes, I will.

Senator EAGLETON. Thank you, Mr. Chairman.

[The information follows:]

MICHIGAN'S TWO COMMODITIES PROGRAMS

In response to the extremely high unemployment rate in Michigan, USDA announced on December 16, 1982, that it would release increased quantities of commodities for Michigan through two programs: the special distribution to needy families, and commodity distribution to charitable institutions.

SPECIAL DISTRIBUTION TO NEEDY FAMILIES

About 1 million pounds of nonfat dry milk was made available from the pilot test for the nationwide distribution of nonfat dry milk. This pilot test, which involved three States and 11 million pounds of nonfat dry milk, will determine whether such a distribution to needy families would displace commercial milk sales. Because the three States did not use all 11 million pounds of nonfat dry milk, the milk was provided to Wayne County, Detroit, Mich. Once the pilot test is complete and shows that the distribution does not displace commercial milk sales, this distribution will be extended to other States, and will be operated much like the special cheese and butter distribution.

CHARITABLE INSTITUTIONS

Some other ongoing activities were cited in that announcement. They involved no commodities beyond what was also available to other States. USDA reiterated for unaware charitable institutions, including soup kitchens, that a number of different kinds of commodities were available for their use.

These commodities are distributed through State distributing agencies to nonprofit charitable institutions serving meals to needy persons on a regular basis. Among the types of charitable institutions participating are homes for the elderly, hospitals offering general and long-term health care, soup kitchens, meals-on-wheels programs, and orphanages that do not participate in another Federal food program. USDA donates commodities directly from its inventories, such as cheese, butter, and nonfat dry milk, or purchases them from commercial markets for donation through this program. In addition, the Department donates perishable commodities—meat, poultry, fruits, and vegetables—acquired under its surplus removal authorities. Currently, these commodities are available to all States. Participating institutions submit orders to their State distributing agency. Institutions new to the program must be approved by the State distributing agency before they can order commodities.

DISTRIBUTION COSTS

Another ongoing activity USDA reiterated was a commitment to work with State and local officials to identify additional points within a State that could receive donated commodities. Such action would help reduce State distribution costs. Further, USDA would also work with State and local officials to establish local agency networks, using volunteers and private sector assistance, to receive and distribute cheese and butter throughout the State.

Current law has no specific authorization for USDA to pay for intrastate distribution costs.

A copy of the December 16, 1982, press release is provided for the record.

USDA INCREASES QUANTITIES OF FOOD COMMODITIES TO MICHIGAN

DETROIT, Dec. 16—The U.S. Department of Agriculture announced today the release of increased quantities of food commodities in Michigan.

In making the announcement, Monroe Woods, midwest regional administrator of USDA's Food and Nutrition Service, said, "All USDA agencies in Michigan and my regional office staff will work closely with Governor Milliken and other State officials to assure that USDA programs meet the food needs of Michigan's citizens to the fullest extent possible."

The plans for increasing commodities include the following actions: USDA will expand the nonfat dry milk pilot distribution to include Wayne County, Mich., as a distribution site.

Secretary of Agriculture John Block announced the establishment of a pilot distribution of nonfat dry milk in three States earlier this year. At that time, 11 million pounds of nonfat dry milk were authorized to be distributed from September through December 1982.

"Some 1 million pounds will remain after that distribution is completed," Woods said. "Therefore, we are able to expand the pilot operation to include Wayne County. During January and February 1983, needy families receiving cheese and butter in Wayne County also will receive nonfat dry milk."

In addition, USDA will release immediately some 21 commodity food items for use in existing as well as new soup kitchens. USDA will also work with State and local officials to establish local agency networks that can receive and distribute cheese and butter throughout the State.

In Detroit and Wayne County, USDA will work with State officials to complete plans to increase the quantity and frequency of cheese and butter distribution to needy families in those areas.

Woods added, "USDA will donate the commodities and will pay for the cost of transporting them to the sites designated by the State. We will work with the State in obtaining volunteers and private sector assistance in the overall distribution of products to households."

The above efforts will supplement existing USDA Food and Nutrition Service food assistance programs already in operation in Michigan. These programs include the food stamp program which serves some 990,000 persons each month; the national school lunch program which provides approximately 850,000 lunches daily; the women, infants, and children (WIC) program which provides special benefits to some 77,000 women, infants, and children each month; and the commodity supplemental food program, administered by Focus: HOPE in Detroit, which monthly provides nearly 49,000 women, infants, and children in Detroit with food commodities. In addition, as a participant in a pilot project to test the distribution of commodities to elderly persons, Focus: HOPE currently is serving about 1,900 elderly persons a month in the Detroit metropolitan area.

"These existing food assistance programs are operating effectively, but due to the high unemployment and urgent needs identified by Governor Milliken and Mayor Young, these programs will be supplemented in Michigan by the actions I have outlined today," Woods said.

STATEMENT OF SENATOR ABDNOR

Senator COCHRAN. Senator Abdnor?

Senator ABDNOR. Mr. Chairman, thank you and welcome, Mr. Secretary, to this hearing which will mark the beginning of the appropriations process for the 1984 agricultural programs.

As we begin looking at the appropriations for the 1984 programs, I want to raise a flag or two on some programs that would receive reductions or be scheduled for elimination.

Cuts and changes proposed for agricultural research programs are of most concern. Reducing funds for formula research grants and increasing funds for the competitive grants will definitely impact the smaller colleges and universities.

South Dakota State University does very important research on animal disease and animal health. Cuts in formula funds would seriously jeopardize their research. The smaller institutions cannot compete for the competitive grants and so will stand to be the big losers if the formula funds are reduced.

The RC&D program has raised some questions in conservation circles. We have voiced our support for conservation and have stated that it is a priority, but now we would cut the funding for probably the most successful conservation program in existence.

The RC&D program has been a highly successful program, and I believe the past history of the program will spell this out. My State has put the RC&D program to good use, and our people are highly regarded for their work. I do not see the elimination of this program serving any good purpose.

The control of noxious weeds on national forest lands in the Black Hills National Forest in South Dakota has become a travesty. Ranchers and farmers have thrown up their hands. They must control the weeds on their property, yet the Forest Service does practically nothing to stop the spread of these noxious weeds on Federal lands.

Now, I see that under the budget for the Animal and Plant Health Inspection Service (APHIS) that USDA plans to cut $689,000 from a $789,000 noxious weed program. What will be done to control the spread of this pest on Federal lands?

Mr. Chairman, I am of the opinion that the agriculture programs have been cut quite dramatically in the past couple of years. We certainly aren't going to be able to balance the budget with these cuts, and we will be interfering with programs of long-standing integrity. Let us use some caution as we begin work on the 1984 Agriculture Appropriations Bill.

Thank you Mr. Chairman.

Senator COCHRAN. Senator Stennis?

STATEMENT OF SENATOR STENNIS

Senator STENNIS. Mr. Chairman, I appreciate the opportunity to say just a few words before this subcommittee and before our Secretary of Agriculture, Mr. Block. I appreciate his willingness to meet with us. I also appreciate your coordination of this hearing and your general good leadership which you have provided for the last 2 years. Your awareness of, and concern for the agricultural community in Mississippi has made it easier for me to represent that same agricultural community as a member of this subcommittee.

As you know, this is a red letter day for Mississippi agriculture, in light of the fact that this is the day in which the Mississippi Farm Bureau makes its annual pilgrimage to our Nation's Capitol. That organization has done much for agriculture, not only in the State of Mississippi, but throughout the Nation, and I always look to them for advice and counsel when making decisions about agriculture.

I have been a member of this subcommittee since 1955, and I can honestly say, Mr. Chairman, that during that time I have not seen agriculture in a worse condition than now exists. I could go on and on about the problems that our farmers are facing, and I could back my statements up with facts and figures that show just how bad the situation is; but all of us in this room are aware of these problems and most of us have seen these facts and figures.

Therefore, I will just say to you and Mr. Block that you can count on my full support this year as we work to improve the economic conditions for all farmers, thus improving the economic situation for our entire Nation.

With regard to the administration's budget which has been proposed for fiscal year 1984, I was especially happy to see an increased emphasis on exporting agricultural goods. This type of activity can go a long way toward making farming more profitable.

However, there are some parts of the budget which concern me, and I do have some questions, Mr. Chairman, which I would like to ask the Secretary.

ABUSE IN FOOD STAMP PROGRAM

Mr. Secretary, I have heard your testimony here, and I don't question any of it but the administration of the food stamp program. Now, I am not trying to discredit the program; I think it is abused a great deal, but I stand up and fight for it to keep it from being abolished. I think maladministration, loose administration in places, is terrible. I am not just imagining that. I see evidences of it. Have you had a chance to go out yourself and examine these conditions, and talk to the county managers? Have you had a chance to do that and get your own impressions of problems that go with administration of this program and of the practices that go with it?

Secretary Block. Senator, as I understand it, it is hard to go out there and see how it is happening. You can hear about it. As it is explained to me, it is very difficult for an individual to pinpoint where the fraud and abuse is taking place. I don't have the figures here. I can make them available. We have tried to be very aggressive in clamping down on waste, fraud, and abuse. We have some very impressive figures of two or three times more than we have done in years preceding this administration. The reason we do it, of course, is because we want to be sure the truly needy people, the ones who really qualify, are the ones who are getting the aid. So, we need to continue on this.

As I was explaining to Senator Eagleton, one of the reasons why we proposed legislation to encourage the States to reduce their errors is because we just can't afford these kinds of errors. The result is the needy people aren't as well served, and people who aren't so needy are getting it.

[The information follows:]

Food Stamp Overissuances

Food stamp overissuances fall into two categories: issuances of benefits to ineligible recipients, and overissuances of benefits to otherwise eligible recipients. For the period April 1981 to September 1981, the latest period for which quality control data is available, total overissuance, due to unintentional errors by applicants or caseworkers as well as fraud and abuse of the program total 9.01 percent of total issuances, which was a reduction from the 10.57 percent reported during the previous 6-month period.

FOOD STAMP FRAUD

Senator ABDNOR. Would the Senator yield?

Senator STENNIS. Yes; I yield for the question.

Senator ABDNOR. Mr. Secretary, as chairman of the Appropriations Subcommittee with jurisdiction over the Secret Service, I understand in a few selected areas that they have been doing some investigative research on food stamp fraud. Do you know anything about that?

Secretary BLOCK. Senator, I am sorry, I didn't get that question. I apologize.

Senator ABDNOR. Evidently in selected areas the Secret Service has been investigating some administrators of the food stamp program. I just wonder if you were aware of this.

Secretary BLOCK. We are working with the Justice Department, Senator. We work very well together, and we have a very good record. But these programs are extremely complicated, and that is one of the other recommendations we have in terms of legislation, that we have a standard deduction. Right now these proposed recipients have to show all these different deductions. How do you verify them? They are complicated. There is an easier way to do it. We are trying to find our way to that.

Senator ABDNOR. There may be out and out fraud being perpetrated by people administering the program in some cases. If this is true, we do have quite a challenge ahead of us.

Thank you.

Senator STENNIS. Well, back to these questions about your personal knowledge of these matters, or someone directly under you. I have talked to some of these administrators, and some of them are not following the rules. If a person comes in and says, "I didn't get my certificates or my allotment," but the records show they were mailed to him, he says, "Well, I didn't get them." Well, they just give them to him. I heard that reported and I didn't believe it. But I found out that that is the practice in some places.

Now, I repeat, have you looked into this yourself, or someone immediately responsible to you, to see just how it is in the food stamp program?

Secretary BLOCK. Your question is whether I know if someone might come in like you are suggesting and say they have lost their food stamps and they want more, and are supervisors just handing them out?

Senator STENNIS. Yes.

Secretary BLOCK. I can't say they are, but I am sure they have in some cases. I just know they have. I can't personally attest to seeing it happen. But our Inspector General's office has been investigating also. I am sure they would have evidence of cases like that.

Senator STENNIS. You say that you assume it has happened some.

Secretary BLOCK. I am sure it has.

Senator STENNIS. Now, what did you do then to follow it up? This is serious business. People are aroused. They see these things happening in the newspapers. What do you have as a policy of surveillance, followup, on matters of this kind?

Secretary BLOCK. Well, the policy is to provide detailed instruction to the States. Keep in mind these States are administering this program. We are trying to get the States to do a good job. It is a complicated, difficult program, sir. When they do things wrong like you are suggesting, what we can do is we survey the errors in those States, and an error like that would show up on a sample basis. What we are suggesting in the way of legislation is that the States be charged a penalty to insure that their error rate is not in excess of 3 percent. If they keep their error rate at 3 percent or below, they won't be penalized. If their error rate is above 3 percent, they are going to be penalized. That is a way of encouraging the States to administer a good, clean program. That is the way we are addressing that, but we need the legislation to see that is done.

Senator STENNIS. Well, I don't want to prolong this, but do you get any results by pursuing that method?

Secretary BLOCK. I cannot show you specifics, but we have made progress in the last 2 years. We will present them to you for the record, because we do have some statistics.

[The information follows:]

REDUCING FOOD STAMP OVERISSUANCES

Recent legislation passed by Congress has provided specific targets for error rates to be achieved by the States through fiscal year 1985. In addition, the administration has proposed to require States to pay for all overissuances greater than 3 percent. This proposal, along with our other recommendations in the fiscal year 1984 budget request to streamline program administration, should result in greatly reduced errors.

As previously stated, overissuances on the food stamp program fell from 10.5 percent to 9.01 percent from October 1981 to September 1982. The adoption of the administration's fiscal year 1984 budget proposals should reduce that to approximately 7 percent, of which the Federal share would be 3 percent and the State's share about 4 percent. This would result in savings of about $700 million to the Federal Government.

AUTHORITY TO WITHHOLD STAMPS

Senator STENNIS. You think you are making progress?

Secretary BLOCK. We are making progress.

Senator STENNIS. Well, don't you have authority to withhold these stamps in certain instances?

Secretary BLOCK. I am sure we have some authority there, but keep in mind the States administer the program. I can't speak to it in detail. Maybe someone on my staff can.

Senator STENNIS. All right, I will settle now if you just look into this personally and through your people directly connected with it and let it be known that you are on the move in this field. I think people would appreciate it, and you will improve your record. It is a very difficult program to administer.

All right, I thank you very much, Mr. Chairman.

Senator COCHRAN. Senator Byrd?

Senator BYRD. Mr. Chairman, does someone on that side wish to ask questions?

Senator COCHRAN. Senator Kasten?

Senator KASTEN. I would be happy to ask a couple. I don't know what everybody's time schedule is.

Senator BYRD. Everybody's time schedule is tight, but I want to be fair to the people on that side.

Senator COCHRAN. I appreciate that very much, Senator. I was trying to keep up with the order in which people came into the hearing room rather than take it on a partisan approach.

Senator KASTEN. Thank you.

Senator BYRD. Just don't talk too long now. [Laughter.]

Secretary BLOCK. I second that motion, Senator.

DAIRY PRICE SUPPORT

Senator KASTEN. Mr. Secretary, we are happy to have you here this afternoon. The passage of reformed dairy price support legislation is critical. It is evident to all of us that we need to find some way through the problem facing us. As you may know, I am a cosponsor of a bill that was entitled, "The Dairy Surplus Reduction Act." It centers on the concept of a voluntary paid diversion to dairy producers who cutback yearly production between 5 and 30 percent from a base period. The paid incentive would be funded through a single 50-cent assessment, implemented when CCC purchases in excess of 5 billion pounds of milk equivalent annually.

I don't wish to go into the details of this legislation, but how do you view the voluntary incentive concept? Do you support the concept that we are trying to work toward in this legislation?

Secretary BLOCK. I will keep an open mind, Senator Kasten. The problem I have with it is that the dairy program is already a very, very costly program. The Federal Government spends an enormous amount of money on it. To take a further step and talk about a "paid diversion," and we review what it means, frankly, I am not really sure that is a salable approach in these times. That is the way I look at it, especially since there is a great amount of difference of opinion across the Nation on how to solve the dairy problem.

Senator KASTEN. What do you see as viable legislation? You are correct in saying that there is a divergence of opinion in the industry. There haven't been many ideas on what is a viable plan that will cut government costs yet also provide adequate income to dairy farmers and achieve an adequate supply of milk for consumers.

Secretary BLOCK. As I talk to producers and dairymen and as I evaluate the situation, it is my opinion that the vast majority of dairymen support a system of particular reductions in the support level, and, frankly, that looks like the most viable approach to me. There may be different ways of going about it, but, generally speaking, that looks like the most likely concept. One approach that occurs to me, and it is just to me a possibility, it might not be a solution, but it looks like we are spending a lot of money. Maybe the Government should just decide to spend a little less and just announce we are going to spend maybe at the rate of $2 billion the first quarter; the second quarter we will spend at the rate of $1.8 billion, so on down. Just generally rachet down the amount the Government spends, and that would put pressure on the prices. It would put pressure on the industry to cut production. If the Government was only going to buy so much, the industry would have to store some of the product themselves. We wouldn't have to store until they brought the problem under control. Right now, the Government is storing the vast majority of the product. The industry sells it to us. I throw that out as a suggestion, not as the administration's position. That would be somewhat the same, but it wouldn't be quite just across-the-board cut.

Senator KASTEN. The problem is, Mr. Secretary, as we drop the price, we force earnings down. In other words, if you earn *x* number of dollars, you have certain fixed costs to cover. What happens, is that in order to meet fixed costs, whether it is a payment on a land contract, silo, or equipment or whatever, dairy producers need *x* number of dollars of income. Rather than cutting production, culling herds, or eliminating the inefficient producer, we are doing the exact opposite. We are forcing producers to increase their production just to cover their fixed costs as they work themselves through a difficult time. I hope you recognize the squeeze we are putting people in. The result, the goal that you want, I want, and I think most dairy producers want, is not being achieved.

Secretary BLOCK. Well, I think we are all concerned about what is going to happen. I guess I have been concerned for 2 years about the program we live under today. It is despised by dairymen. It is certainly not the program promoted by the Secretary of Agriculture. It has happened to all of us; it is law, and we are going to administer the program. I am aware of the argument if you cut prices, we will force more companies to increase milk production.

Senator KASTEN. Not will, they are.

Secretary BLOCK. Well, they will perhaps to a point; I concede that. But that kind of analysis is really true in the long run. Then the same analysis might be true if you raise the price, they will cut production. I don't believe that part of it either.

DAIRY ASSESSMENT

Senator KASTEN. In five different States, court decisions have gone against the 50-cent assessment. In December, Judge Perry of South Carolina issued an injunction that related to a suit filed by dairy producers and farm groups in South Carolina. It is my understanding that you have a number of legal questions now in New York, one in Wisconsin, one in Idaho, one in Utah. What is USDA's current status regarding the situation of the 50-cent assessment? If a ruling is handed down by the courts in favor of USDA, will assessment collection be retroactive to December production? How are you planning to deal with this problem?

Secretary BLOCK. I am going to cover this quickly, because I am going to turn it over to our General Counsel.

The first point I would make is we are trying through the courts to win the case. The collection should be retroactive. Then the next point is, at the same time and simultaneously, we are attempting to satisfy the questions that the court had so that we can go ahead with the program. Our objective would be to go ahead and collect the 50 cents when the roadblocks are cleared, and the April 1 collection, in accordance with the law.

I would like Jim Barnes, our General Counsel, to make some comment here.

Mr. BARNES. Senator, I think I could only add a little bit to what the Secretary has said.

As you indicated, I think we are now faced with eight lawsuits in six different jurisdictions. There is also one in Texas. However, we have had arguments in several States. Basically, there has only been one decision rendered. That was a preliminary injunction in the case in South Carolina, where the judge indicated, as he was looking at it on a preliminary basis, the Department should have followed a different administrative procedure in putting the initial 50 cents into place. We have, as the Secretary indicated, gone with a proposal to correct that deficiency, as well as a proposal to implement the second 50 cents. I think after we have taken that step, undoubtedly, we will be going back to that court, and other courts, and show them what the Department now has done to try to clarify the situation as to the future. Then we will probably have some continuing discussion as to whether what we did in the past was defective or not.

Secretary BLOCK. Senator, I would like to add one additional point. The budget we are living under assumes $900 million in savings in 1983, and $1.4 billion in savings in 1984. This is through the collection process. The route is already charted for us, and we already know what our responsibilities are—to collect the money.

EXPORTS

Senator KASTEN. Mr. Chairman, thank you, and I would also like to thank Senator Byrd. I would like to add my comments on the question of exports. You, Mr. Secretary, are very aware of growing concern, and it is not just a shot over the bow. I support the U.S. flour sale to Egypt. In discussions Senator Helms and I have been involved in regarding the GATT conferences, the time has passed for us to continue to cave in and talk about the possibility of reaching some form of agreement. I believe that now is the time for us to be aggressive. I believe that is your desire, and I want you to know that you can add my voice to those of my colleagues on this committee. We have to move and move aggressively.

Senator COCHRAN. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman. I am told by Senator Sasser that you recognize Senators in the order that they are coming in to attend the committee meeting. I have been around here about 25 years. That is the first time I have ever seen it operate like that. I think that is an excellent way to operate.

Senator COCHRAN. Thank you.

Senator BYRD. That keeps a junior member, like myself, from having to come in and wait 2 hours while others walk in at the last minute and get heard first. I compliment you.

Senator COCHRAN. Thank you.

Senator STENNIS. Mr. Chairman, would the Senator yield?

Senator BYRD. Yes.

Senator STENNIS. May I have two questions filed at the end of my testimony?

Senator COCHRAN. They will be filed, Senator Stennis, and we will ask the Secretary to respond to those in writing. Thank you.

WATERSHED PROJECTS

Senator BYRD. Mr. Chairman, I want to change the subject just a bit. I want to talk a little about some watershed projects.

The fiscal year 1983 Agriculture, Rural Development and Related Agencies appropriations bill provided funding for construction of not less than 20 new small watershed projects under the program authorized by Public Law 83-566. This action continued the policy established in the previous year when Congress added funds for 25 new small watershed projects. Despite the careful consideration given to these additions during the appropriations process and despite the very clear congressional support for new projects, the administration dragged its feet on these projects last year until Congress required, in law, in the fiscal 1982 urgent supplemental that construction should begin immediately on at least 15 of these projects.

This year, the administration has recommended no new small watershed projects in the fiscal 1984 budget and proposed a rescission of the total $69 million provided in fiscal 1983 for construction of the 20 new projects I have alluded to.

I understand that you believe very strongly in soil conservation. Did your Department, Mr. Secretary, recommend that the President rescind these funds?

Secretary BLOCK. Senator, it is our position that we should not be going ahead with these starts, but if we have the money and if we are directed by the Congress to do so, we will. We are processing and moving forward on the ones that we have an obligation to move forward on, and I assure you we will continue to do that.

Senator BYRD. Mr. Secretary, I have been around here a long time. You haven't answered my question. Maybe you won't answer it, but I am going to ask it again.

Did your department recommend that the President rescind these funds?

Secretary BLOCK. Yes, sir.

Senator BYRD. Thank you. Why?

Secretary BLOCK. I am glad you asked that question. [Laughter.]

Senator BYRD. I will ask it again. Why?

Secretary BLOCK. Yes, sir, the reason is that we believe a very high priority in this Department is soil and water conservation, and watershed projects are fine too. But when you have periods of time when you have to tighten your belt a little bit, it is our opinion, and I think it makes good sense, to look to some areas where you can forego the spending until a later date. I think watershed planning and projects are the kinds of projects that can wait a year or two, and these are times when we need to wait. Even in a family you do things like that. You don't buy a new car in the year you have tough times.

Senator BYRD. What about the Caribbean Basin Initiative? That is a rhetorical question I don't expect you to answer.

Why did you propose to rescind these funds in the face of strong congressional desire? I know you have already explained that it was done for budgetary reasons, but why did you do it in the face of strong congressional desire that these small watershed projects proceed rapidly?

Secretary BLOCK. Senator, I think I probably answered it, because we feel this is not the time to be spending money on projects that aren't essential, and that is the reason.

Senator BYRD. Do you really believe they are not essential?

Secretary BLOCK. Yes, sir.

Senator BYRD. Why would anyone spend the money on them if they are not essential?

Secretary BLOCK. There is a smorgasbord of things we could do with government resources. There is no end to it. It is my personal opinion this is something that can wait awhile.

CONSTRUCTION OF WATERSHED PROJECTS

Senator BYRD. It is my understanding that the administration's jobs bill contains $69 million for the construction of 20 new small watershed projects in fiscal 1983. Now, do you consider those projects to be essential?

Secretary BLOCK. The projects may come back to life, Senator, but I can't tell you what is in that jobs bill precisely. I know of some of the ingredients in it that have been talked about but are not absolutely in concrete yet. We will have to wait and see how that thing develops.

Senator BYRD. Well, I hope he is setting some of these in concrete at some point. It is my understanding that they are in the present draft of the administration's bill, and this action apparently would cancel the present rescission which the administration has requested. I guess whether you use old math or new math that subtraction is correct; is it not?

Secretary BLOCK. It looks that way to me, sir, if it transpires.

Senator BYRD. It would cancel the present situation if it is carried out?

Secretary BLOCK. Yes, sir.

Senator BYRD. So the administration, after much argument, has simply taken the same position that the Congress held all along with respect to construction of these new projects. If the administration put the new projects in the jobs bill, it has come around to the congressional viewpoint. There appears to be agreement now between Congress and the administration that small watershed projects are a very appropriate item to be included in the jobs bill. They represent an area in which many Americans can be put to work quickly, while performing a very useful service. And I would say if you lived at Soak Creek, which is the precinct just adjoining my precinct where I vote, you would think they are essential because those people down there have been visited by floods. I suppose whether or not a project is essential depends upon the vantage point from which you view it. But to those people and to me, these are essential programs and essential projects.

In view of the productive work that can be done on these small watershed projects, and realizing the President himself anticipates continued high-level unemployment in fiscal 1984—the budget proposed by the President projects 9.9 percent unemployment in 1984—why does the fiscal year 1984 budget contain no funding for planning or construction of new projects?

Secretary BLOCK. I probably can't add a great deal more to what I have already said. Certainly, what I said was that you look to save money some place, and this is a place that you can save it. I think we all agree it is probably something that could be put off. The suggestion that it should be done to create jobs is looking at it from another standpoint. If the family changes its mind on how they intend to spend their money, I guess they are entitled to.

Senator BYRD. What was that?

Secretary BLOCK. I said if a family changed its mind as to how they are going to spend its money, they are entitled to. If this United States changes its mind to create jobs through water projects—and I am not predicting we will, but it could happen.

Senator BYRD. Well, that opens the door for a lot of argument. We could stay here all afternoon and talk about whether or not we need to go down two parallel roads in building small watershed projects that would cost between $250 million or $400 million per unit, depending on whose estimate one uses. That would seem to conflict with the earlier argument that these projects are productive investments and a way to provide employment.

SOAK CREEK WATERSHED PROJECT

You may recall the report language accompanying the fiscal year 1983 Agriculture, Rural Development and Related Agencies appropriation bill directs your department to initiate construction on the Soak Creek small watershed project in West Virginia this year if at all possible. Could you give me a status report on that project and indicate what you are doing to expedite planning activity, and when you plan to initiate construction?

Secretary BLOCK. Soak Creek? My county is Hawk Creek.

Senator BYRD. I understand that you have opened a project office in Beckley, which is about 4 miles away, and two engineers and an assistant are now assigned to this project. So you may indicate for the record, if that is correct, and if so, could it proceed next year if the local people acquire the land in time. What assurance can you give me, if I am correct in what I just said, that your department will do everything practical to complete this project as soon as possible?

Secretary **Block**. Yes, sir, we will be working on it and working toward a successful conclusion.

Senator **Byrd**. And you will do everything practical to complete that project as soon as possible?

Secretary **Block**. Given the necessary appropriations and funding to do it, yes, sir.

Senator **Byrd**. And the instructions which were in the report language accompanying the fiscal 1983 appropriations bill.

UPPER MUD CONSTRUCTION PROJECT

I am also interested in another small watershed project in West Virginia, and that is the Upper Mud construction project. Was there any reason why construction of that project could not proceed in fiscal year 1984 if funds are provided for additional project starts? In other words, if the local people are able to acquire the land and easements in time.

Secretary **Block**. I will find out for you and provide the information for the record on Soak Creek and Upper Mud projects.

Senator **Byrd**. Would you write me a letter on both of these projects and let me know the status of them?

Secretary **Block**. Yes.

[The information follows:]

Small Watershed Projects in West Virginia

The Piney Creek-Soak Creek watershed and the Upper Mud River watershed projects are both being planned and administered by the Soil Conservation Service (SCS). A schedule for each project has been prepared jointly by the SCS and the local sponsors which considers their respective capabilities and prior commitments. If the local sponsors are able to fulfill their obligations, including acquiring the needed landrights according to the current schedule, the Piney Creek-Soak Creek project would be ready for construction in May 1984, and the Upper Mud River project in April 1985. However, the 1984 budget request for SCS does not include funds for new project construction starts. It is necessary to defer funding for this work to hold down Federal budget deficits which threaten the Nation's economic well-being. We would expect to proceed with these construction starts when the budget situation is less constrained and the necessary funds can be made available. The SCS has established a project office in Beckley, W. Va., and will be continuing to perform the necessary preconstruction work such as final design and land surveying on these projects.

REDUCED STAFF-YEARS FOR SMALL WATERSHED PROGRAMS

Senator **Byrd**. Your fiscal 1984 budget proposes to reduce staff-years for the small watershed—by the way, I guess you know who I am.

Secretary **Block**. I get the message.

Senator **Byrd**. I can't recall whether or not you were one of the department heads who went into West Virginia to campaign against me or not. I am glad you can't recall that.

Secretary **Block**. I regret to say I wasn't there, sir. [Laughter.]

Senator **Byrd**. You regret to say you weren't there?

Secretary **Block**. I take it back. Be easy on me.

Senator **Byrd**. Well, I will check. [Laughter.]

Senator **Byrd**. Let's lay the jokes aside. Your fiscal 1984 budget proposes to reduce staff-years for the small watershed program authorized by Public Law 83–566 by 271, or by some 20 percent. Do you think you would need additional personnel if you were going to expedite the Soak Creek project as well as complete the projects in the fiscal 1983 jobs bill?

Secretary BLOCK. That would have to be answered in a total picture. You are only talking about one project, with many projects nationwide. I doubt we would have to make any changes.

Senator BYRD. I suppose you would say the specific level required would depend on the number of new projects that Congress directs the Soil Conservation Service to initiate in fiscal 1984. Did that help any?

Secretary BLOCK. I am going to keep my eye on the assistance to see if it coincides with what I think would work.

Senator BYRD. You are having trouble being heard up here. What did you say?

Secretary BLOCK. I said, in jest, your assistance in answering your own questions is appreciated, but I am going to watch the answers to make sure they are the answers that I might want to give. We will reevaluate the total staff-years for USDA by agency after congressional action on the fiscal 1984 budget.

Senator BYRD. Well, I will be watching your answers.

Secretary BLOCK. I know.

Senator BYRD. So, while we have engaged in some levity, Mr. Chairman, there is no real animosity, but there is real sincerity, and conscientious people, in back of these questions. I would look forward to receiving your letters and also your help on the projects that I have mentioned.

Secretary BLOCK. Thank you very much.

Senator BYRD. Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator.

Before recognizing Senator Specter, I might make an observation. Even though I had the best of intentions, Senator Byrd, of recognizing Senators as they came in, I was just advised of the fact Senator Specter was here before Senator Kasten.

Senator BYRD. Would you like for me to temporarily expunge everything I said from the record?

Senator COCHRAN. He leaned over to me and said he wouldn't make a point if I would recognize him before you.

Senator SPECTER. I said I would not expect the chairman to purge his error by recognizing me before recognizing you.

Senator COCHRAN. You did not. [Laughter.]

Senator Specter?

Senator SPECTER. You see how much trouble people are having being heard up here. But if I had been recognized in turn, I would probably have departed by now as Senator Kasten has and would have missed the best exchanges of the day.

Mr. Secretary, I would like to explore with you for a moment or two your procedures on coming to some of the very substantial cuts which I observed, and I understand your problems, but I wonder how you get there on a number of items. Because of the limitation of time, let me just pick a couple.

RURAL HOUSING PROGRAM

I note on the issue of housing, the rural housing program has been cut by more than $2 billion, and slightly more than $1 billion, in the face of the fact that people who look toward rural housing have worse conditions by three times, it is estimated, as people who live in cities. There are some 2 million people who live in substandard housing in rural areas. On page 35 of the summary that you provided in advance of your testimony, it is noted that low-income housing on section 502 will be reduced from $2.3 billion to just $280 million.

My question is, in assessing your overall priorities, how do you come to such a drastic figure—less than 10 percent of what it was—to an item of such great apparent need?

BLOCK GRANT

Secretary BLOCK. The proposal that we have put forward is to provide $850 million in a block grant to be used by the States. It could be used in, perhaps, even some rather ingenious ways with guaranteed credits or different arrangements and leave it up to their own ingenuity. We projected we could build a lot of homes with this kind of a program. It puts the responsibility on the States and reduces the responsibility of the Federal Government for administering the program. That is our answer, sir.

Senator SPECTER. It is fine to put the responsibility on the States, but how can a block grant in the range of $850 million possibly, with all conceivable ingenuity, do more than an authorization of in excess of $2 billion which has been cut out of the low-income housing program? How do you stretch that kind of ingenuity?

Secretary BLOCK. I don't have the specific figures, but the $850 million is a grant and you are talking about loans, which maybe would not necessarily be grants; those are loans. And these grants can be leveraged.

Senator Specter. Where does the $850 million grant appear in your summary, Mr. Secretary, if you can put your finger on it?

Mr. DEWHURST. The first line.

Secretary BLOCK. Eight hundred and fifty.

Senator SPECTER. I am told that you have not yet made a request for the $850 million in the rural housing block grants sale. What you are saying is you are intending to do that?

Secretary BLOCK. That would be a legislative thrust of ours.

Senator SPECTER. So you are committed to doing that?

Secretary BLOCK. Yes, sir.

Senator SPECTER. Can you give me an example as to how you might leverage or how that $850 million in rural housing block grants might be leveraged to more than make up for the decrease of in excess of $2 billion?

Secretary BLOCK. Senator, I am going to ask Charlie Shuman, Administrator of the Farmers Home Administration, to respond to this. I won't guarantee it could make up for all of it, but there are ways to make up for a lot of it.

Mr. SHUMAN. Thank you, Mr. Secretary.

INNOVATIVE USE OF BLOCK GRANT FUNDS

Senator Specter, we feel there is a significant difference in the way in which grant funds can be utilized in ingenious, innovative ways by States that will allow that money to be multiplied quite dramatically compared to the previous authorities that we have. The present authority we have is where the funds we receive are utilized or authorities we have used are authorized only for loans for single-family housing purposes. We would envision and can imagine ways in which buy downs, various types of front-end assistance in financing the purchase of homes, all of this type of thing could be utilized.

There is one more significant difference, Senator, between the operation and the authorities we now have and what we will be proposing as part of the initiatives that will be coming to the Congress soon. We will be proposing that this block grant fund of $850 million be emphasized or directed to the lower-income families in rural areas. Our present authorities where loans are made, we find that, even with our 1-percent interest that we can adjust that interest rate down. We find only the upper end of the low-income families and moderate-income families are able to utilize that program. We think the $850 million block grant can be utilized by the States more effectively in relieving the desperate situation many low-income families find themselves in in rural areas.

Senator SPECTER. But there is nothing you have suggested that would be done with that $850 million that couldn't be done with the $2 billion. You are giving it to the States, but you are not suggesting the States are going to give it away to low-income families. They are going to loan it in one program or another.

Mr. SHUMAN. They can use it. The statute that we will be coming forward with will allow the States quite broad latitude in how they will operate.

Senator SPECTER. Are you suggesting you expect the States to give some of that money away?

Mr. SHUMAN. They certainly could. It will be a grant to the States, and if the States wanted to, they could grant it to low-income people.

Senator SPECTER. Are you suggesting you expect them to give it away as opposed to loaning it?

Mr. SHUMAN. In fact, many times we feel that would be appropriate, and a loan to a low-income family wouldn't be advertised as a loan.

Senator SPECTER. Is there experience and support of State policy of making gifts under those circumstances?

Mr. SHUMAN. There are other block grant provisions in Federal law where grants are given to States for various purposes.

Senator SPECTER. My question is, do States give away money in similar circumstances as opposed to lending?

Mr. SHUMAN. Certainly, there are States that do make grants to individuals or to entities for various purposes.

Senator SPECTER. Well, but isn't it ultimately passed out by a loan in the final analysis?

Mr. SHUMAN. There are grant programs, Senator. I am sorry, I am not familiar with them across the Federal Government, but we can get that for the record.

Senator SPECTER. I would appreciate that if you would submit that in a letter to me as to what gifts there are.

Mr. SHUMAN. Yes; we will provide that information.

[The information follows:]

LETTER FROM CHARLES W. SHUMAN

United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

MAR 10 1983

Honorable Arlen Specter
United States Senate
Washington, D.C. 20510

Dear Senator Specter:

This is in response to your request for supplemental information to my testimony before the Senate Appropriations Committee hearing of February 24, 1983. You requested data on the incidence of states using Federal grant monies to provide grants to individuals or entities, as opposed to loans.

The 1981 Catalog of Federal Domestic Assistance lists over 500 programs available to state governments, with the financial assistance in the form of formula grants, project grants or direct payments for a specified use. Without a tremendous amount of research we are unable to determine the precise number of these programs which provide direct financial benefits to individual members of the public, without any required repayment. Nor can we accurately determine the number of programs actually being utilized by the states. We can, however, mention several well-known programs, administered by states with federal funds, under which the benefits are passed along to the beneficiaries without charge or financial liability.

Among these are the Department of Agriculture's supplementary food and nutrition programs such as the School Lunch Program and Food Stamps. The Department of Labor provides grants to support State Employment Services, Unemployment Insurance and those employed under the Comprehensive Employment and Training Act. The Department of Energy provides funds for weatherization services, free to the beneficiary. The Department of Health and Human Services also has numerous grant programs to support state activities in offering free or reduced cost health care and other social services.

There is one program which may provide some insight into the possible future administration of the proposed rural housing block grants. That is the Community Development Block Grants (CDBG) of the Department of Housing and Urban Development. This program, although it has been available to the public for several years through local government entities, it now being administered as a state block grant.

CDBG housing assistance activity data from 1975 through 1982 has been compiled by the General Accounting Office in a report (GAO/RCED -83-21) presented to Congress December 13, 1982. The most frequently reported methods of providing assistance were by means of full or partial grants; ranging from an average grant of $1,800 for emergency repairs, $2,000 to $4,000 for weatherization of a multi-family or single family unit, $6,200 for rehabilitation of a single family unit, to $10,000 to $12,000 for purchase, rehabilitation and resale of single family units.

Significant data is not yet available concerning last year's state administered CDBG program; however, we did learn from the Council of State Community Affairs Agencies that 37 states including Puerto Rico, are participating and have made over 1,600 grant awards to local entities. Forty-eight states are expected to participate in fiscal year 1983. Grants are the predominant form of assistance because the local programs are rated according to criteria which require it.

In addition, many states are administering their own grant programs to provide various forms of assistance to the very-low-income.

We hope this has been an adequate response to your request and we appreciate your interest and concern.

Sincerely,

Charles W Shuman

CHARLES W. SHUMAN
Administrator

DECREASE IN RURAL HOUSING PROGRAMS

Senator SPECTER. Mr. Secretary, on page 35, notwithstanding the $850 million, in rural housing grants you still come to a decrease in the rural housing programs in excess of $2.240 billion, and the question in my mind remains as to how, in the face of this kind of need for housing, does it make sense to have such an enormous cut in this kind of program?

Secretary BLOCK. Certainly, as you look at the figures, you are quite right in the reduction that you are looking at. But we really propose to replace credit loan programs in part with a grant. A grant is a lot more than a loan. I am sure that the committee understands the difference. As we suggested, that grant can be used in different ways. It could be a guaranteed loan going with parts of it, and so forth, to make housing available.

Senator SPECTER. Well, is your suggestion that if you have $3.478 billion in what is essentially loan programs and you substitute for that $400 million, which is $3 billion less, plus the $850 million grant, you are going to get more in the 1984 column than in the 1983 column in housing starts and housing for rural Americans? I don't see how you can make that representation, Mr. Secretary.

Secretary BLOCK. Senator, it depends on how it is managed and how the law is ultimately written. We will work on that. I haven't studied that specific detail, but it really looks like to me it could be done. You might get more houses if it is properly managed.

Senator SPECTER. I would very much appreciate it if you could provide me a way it can be done. I don't think it is possible, and I am not functioning off the top of my head. I have taken these figures. I understand and realize you have to cut some items, but I wonder why it is cut here and how you can project anything more than a very substantial decrease in housing opportunities for rural Americans.

Let me go quickly on to other items, and I will cut this short, Mr. Chairman.

WATER AND WASTE DISPOSAL

I noted that, notwithstanding EPA estimates, 63 percent of the rural Americans drink substandard water, the 1984 budget reduces waste and water loans by 50 percent, to $125 million, and waste water grants were cut by $39 million to $90 million. I wonder why you target those important areas for those very significant kinds of cuts?

Secretary BLOCK. Certainly, as I stated earlier, there are any number of places where we can spend money and it can be used most effectively, and that, as you suggest, is a place. But at the same time, we need to make some reductions in some places. It is a matter of making decisions or choosing a priority, and I don't feel it is necessarily that big a priority. The administration feels it is not necessary to maintain as high a priority as some of the other programs we have tried to maintain at a high priority level. We have spent a great amount of money on rural projects. A lot of progress has been made in these.

Senator SPECTER. A lot of progress was made in what?

Secretary Block. In the water projects in a lot of towns and for the rural part of the country.

Senator Specter. Well, do you think that the EPA estimate of 63 percent of the rural Americans drinking substandard water is inaccurate?

Secretary Block. Well, I am not here to challenge the EPA review. Off the record or not, my observation is this, that I have yet to find a rural well that will test satisfactorily. I grew up drinking out of one. I think some of the requirements that are looked toward are occasionally out of range, not always, but occasionally. But I have nothing on it.

Senator Specter. Mr. Secretary, I understand the problems out there, and we have a very complex budget to analyze and a lot of very complicated administration requests. What I am trying to do is pursue to see if you have some reasons for these high cuts that aren't apparent to me. And speaking for a State which has a very large rural community, I am very concerned about them, and as I weigh the kinds of alternatives my votes go toward, I just want to express that concern to you. I realize the problems that you have.

SURPLUS FOOD

One more very brief question. I was requested earlier this week by Johnstown, Pa., and I have had a lot of inquiries, for some surplus food. What we found is we are limited in what is available—simply cheese and butter. I am wondering if it isn't possible to make some other foodstuffs available, whether it is wheat or flour or dried milk or other surplus commodities that can be made available?

Secretary Block. Senator, we have been watching some of the legislative proposals in this area. We are taking a hard look at it. We have not come to an administration position. There are some of these other commodities we could process and make available. A bushel of corn is not ready for consumption; it has to be made into cornmeal. Now, we are starting or are going to be expanding our distribution of nonfat dried milk, and even that has to be instantized. Our nonfat dried milk is not ready to stir up in a glass and make into milk.

Senator Specter. Do you need some legislation to authorize additions to that list of cheese and butter?

Secretary Block. We do have legislation that has been introduced, but it has not passed yet. I am not prepared today to tell you that we really favor going out in a wholesale way and trying to make all sorts of commodities available. I do think it is reasonable to look seriously at the possibility of giving away that which the Government owns and has in surplus. I think that is what you are suggesting.

Senator Specter. Certainly, I would urge you to give consideration to broadening that food base. I see the same thing Senator Eagleton talked about on television. But I have been in a lot of parts of Pennsylvania, and the only thing that I have had to say recently which has pleased any of the many audiences that I talked to is the announcement that a contract was given to their community group on some foodstuffs. That is the one thing that people like that I have had to say, and they have been long speeches. So, to the extent that those foodstuffs could be broadened, I would find it enormously helpful, and it would be a very popular thing for everyone, all the way up to the President of the United States.

Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator.

Senator Sasser?

Senator SASSER. Thank you, Mr. Chairman. I was beginning to think I was up some creek without a paddle here. [Laughter.]

Mr. Secretary, your statement today points to a serious situation that our farmers find themselves in, and I can tell you from firsthand knowledge I have made a lot of speeches in Tennessee. As you know, I made a lot last year. You made a few there yourself. As you may recall, and I might tell you that in case you didn't get a chance to analyze the returns, I had the largest victory that anybody has ever had in my State, and I did particularly well in the rural areas, I might add.

Secretary BLOCK. I am going to have to work on my speaking, sir.

Senator SASSER. Well, don't change; just keep on. [Laughter.]

FARM SITUATION

Senator SASSER. But I have to say to you in all candor today, it wasn't speeches and politicking that really turned the tide last year. The farmers in my State are suffering more than they have suffered since the Great Depression in the thirties. I say this to you, because I don't believe this is the time for retrenchment in Federal agricultural policies. This is the time, I think, when the American farmers, and I know the farmers in my State, need all the help that they can get.

NUTRITION

Yesterday, before the Budget Committee you and I discussed what is happening in some of the nutrition programs—the WIC program. You said we will have level funding in that program. Level funding amounts to about a 4-percent reduction. I am told that 110,000 women will come off that program this year. Only 50 percent of those who are eligible now are served on that program, and at some point this society is going to have to deal with those children who are born of malnourished mothers and who may have mental or physical defects. Looking at it truly from a hardhearted cost standpoint, I think even Mr. Stockman would agree that it is cheaper sometimes to make sure that these women have adequate nutrition than try to deal on down the line with the results of a malnourished fetus. But that is neither here nor there.

SOIL AND WATER CONSERVATION

I want to talk to you today about budget cuts in the field of soil and water conservation. Now, your budget indicates the Department of Agriculture, and I quote, "is placing greater reliance on State and local governments for solutions to resource problems." Well, we did that for a long time. In the thirties when we saw the State of Oklahoma blowing away, and my State of Tennessee when automobiles were falling into gullies never being seen again, we decided that the Federal Government had a responsibility in the field of soil and water conservation. Water doesn't stop at a State line. Soil that is being washed away doesn't stop at the State line. You are a successful farmer, and you know that as well as I do. Sometimes, I imagine you wish you were back on the farm and would not have to step up here and take these tongue lashings from Senators. But that comes with the territory, I suppose.

But State and local governments are exceedingly strapped financially. They are running large budget deficits themselves. Many of them, and even if they had the expertise, skill, and the will to take over these conservation programs today, don't have the wherewithal to do it. Now what are we going to do if the Federal Government says it can't continue to fund adequately the conservation programs? The State government says it can't, and Lord knows the local government can't. What are we going to suggest to that farmer out there who sees his land being washed away or blown away? What do we tell him? What do people like myself tell him?

Secretary Block. Senator, I think we have a very good answer to that question. If you look at the budget we are talking about, the cut is in the area of watershed planning and watershed projects. There is no cut in the area of conservation technical assistance, and that is where the conservation part of the activities really are—the heart and soul of the conservation activities. Indeed, we are initiating a program providing for targeting of 10 percent of the funds. I would submit to you that Tennessee will be one of the States that will benefit proportionately better than some of the other States because of some of the erosion problems you are talking about in Tennessee and that you are concerned about. So, the targeting to address the problem toward where it is the most severe, I think, is a very, very good turn of events and is the direction we should be going in the soil and water projects.

The States are spending $200 billion a year to work with the Federal Government addressing these soil and water problems. The Federal Government, although not spending as much as some of us might like, we are talking $700 million or thereabouts. That is a lot of money. And as a farmer myself, I can walk up behind my barn at home, and I can see the success of some projects. We have terraced land there that used to be gullies. We have made progress. We have made it in a lot of States. There are not enough resources to address all of our problems, putting in terraces wherever we need them, and so forth. But there is a very distinct possibility; in fact, we are making progress with conservation tillage and no tillage. I know they apply that a great deal in Tennessee. The increase in this has been dramatic in the last couple of years. The objective is to pull together the entire agriculture industry, the Federal Government, all of our agencies, the Extension Service in its educational role and the farm organizations, and address this problem where it is going to have to really be addressed, and that is on the part of the individual farmer, and the farmer is starting to address it. You can see it as you drive through the countryside. The farmer is going to solve it himself. He can't be expected to solve it and lose money in the process. It needs to be something that he can do for himself that is a money-paying proposition, and I say conservation farming makes money; it does not cost money. I think the producers of the land are going to adopt this practice in ever-increasing numbers, and we are going to see some success in the area of soil and water conservation that we have not been able to achieve over many years of spending money on specific type programs.

CONSERVATION COST-SHARE PROGRAMS

Senator SASSER. Nevertheless, a farmer who is on the verge of bankruptcy or going broke needs start-up money for these programs. He is worried about what is going to happen to him this year or this week, not what is going to happen on that farm in the next 5 years.

There is a decrease of $150 million in this budget of ongoing conservation cost-share programs, and the budget proposes to combine the very successful agricultural conservation program, emergency conservation, forestry incentives, and the water bank program. The reason given in your budget simply says, and I quote, "The proposal is based primarily on fiscal policy considerations." You are reducing the conservation budget, the ASCS programs by more than 75 percent.

Well, it falls on deaf ears, it seems to me, when I hear we are reducing these programs primarily because of fiscal policy considerations, when I see the Secretary of Defense come up here, listen to him testify before committees, and he is not willing to cut anything. I get the feeling that his definition—I don't mean to disparage the Secretary of Defense—but those perhaps who are advising him, that their concept of an adequate defense is two tanks in every garage, while we here are cutting back on many important domestic programs in this USDA budget.

Mr. Secretary, you are the only advocate that the American farmer has in this Cabinet. When the sharp pencil boys come over from OMB, I would like to see, rather than just crossing this off and saying we are going to cut this because of the fiscal policy considerations, to see a little less compliance there and a little more toughness in dealing with the administration. I have had some experience with the previous administration and know how OMB operates. But I want to urge you today as the only advocate the American farmer has to be tough. And if Cap Weinberger is going to stand toe to toe for defense, I would like to see the Secretary of Agriculture stand toe to toe for the farmer.

That is my speech.

Secretary BLOCK. Senator, I appreciate your interest in rural America, as we all have. I would merely submit the money spent, as I pointed out in my charts earlier, is a lot of money. We have to help agriculture.

Sometimes we have to make priorities. Maybe the growth is not precisely where someone else would like to see it. But there is a great amount of growth for rural America. I am almost reluctant to mention that the growth in our spending has been in excess percentage-wise of the Defense Department, which I am not so sure I am proud of that. It has been because of the problems we face in rural America.

Senator SASSER. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Senator COCHRAN. Senator Mattingly?

PROVIDING LOANS TO FARMERS

Senator MATTINGLY. Thank you, Mr. Chairman.

Mr. Secretary, knowing that farmers are pressed for money, and knowing you have a proposal, as everybody does, of making adequate loans to existing farmers, I wonder if there might be a possibility of shifting some money. In the current surplus situation, with crop prices depressed, why would we want to place new farmers in business or to provide new real estate loans to expand the size of any farm residence at this time?

Secretary BLOCK. We have cut back the farm ownership loan program. Of course, you realize that is just to pass the farm on to a son. There are different reasons from one generation to the next.

Senator MATTINGLY. You say he would pass it on?

Secretary BLOCK. I am sorry, I can't hear you.

Senator MATTINGLY. You are saying he would pass it on to the son?

Secretary BLOCK. Maybe he has to borrow money to buy into it. It may not get just passed over from one hand to another.

Senator MATTINGLY. I think what we are talking about is roughly $600 million for insured loans, $50 million for guaranteed.

Secretary BLOCK. We have been cutting that back and putting the emphasis on the operating loans.

Senator MATTINGLY. But would there be anybody amenable to shifting some of the money to areas more needed and tightening up on that for new operations?

Secretary BLOCK. I would be willing to look at it.

Senator MATTINGLY. I know there have been some complaints from my State about people expanding dairy operations.

Secretary BLOCK. I hope we have that stopped. I sent a letter out about expanding dairy operations. Maybe Charlie Shuman can elaborate. I think we have the reins pulled in on that horse. I hope.

Senator MATTINGLY. I think maybe possibly, conceivably, we can tighten this, maybe draw down a little closer and shift over some place else.

RURAL HOUSING

The second question, being the new chairman of the Rural Housing Subcommittee of the Banking Committee, I was quite interested in Senator Specter's comments about the new rural housing money, which I am well aware of too. Are you saying that the plan for rural housing that is going to be proposed this year is going to be the same one that was proposed last year but failed?

Secretary BLOCK. I am not sure in saying it is the same. I don't know precisely. Maybe Mr. Shuman can elaborate.

Mr. SHUMAN. Senator, when you are talking about the proposal last year, are you referring to the legislation that was proposed by the Senator from New Mexico?

Senator MATTINGLY. Schmitt, that is right, yes.

Mr. SHUMAN. There will be some significant differences between what the administration will be sending forth as part of the new Federalism package and the proposal that was considered by the Senate last year as introduced by Senator Schmitt.

Senator MATTINGLY. I didn't really want to be out on that limb, asking if it was something that is going to fail as it did last year.

Let me ask one question in reference to that. Has there been any consideration given to the possibility of that money going to rehabilitation of housing?

Mr. SHUMAN. That would be one of the options the States could utilize. All of the money the State received could be channeled in that direction, if they saw fit.

Senator MATTINGLY. Is it being considered that a percentage of that be written in?

Mr. SHUMAN. The proposal would not mandate a certain percentage, but leave it open to States to use all that they want.

Senator MATTINGLY. Has there been any consideration to using modular housing?

Mr. SHUMAN. There certainly is. The $850 million block grant money we are suggesting would be distributed to the States to be used for any type of housing that the State would see fit.

Senator MATTINGLY. Thank you.

FOREIGN MARKETS

The last question, Mr. Secretary, and I am sure you are getting tired of testifying; I suppose we get tired of going to hearings. I applaud you for the Egyptian wheat deal. I think it was just fantastic. What is the next shot?

Secretary BLOCK. I don't have any predictions on the next shot over the bow. We are going to continue to review possibilities of challenging the European Community and other countries for markets, but it is not our way of doing things in the United States. We don't relish the United States using subsidies to gain markets, but, of course, we are all quite aware sometimes we get forced into something we really don't like to do, and we are going to keep that option open.

Senator MATTINGLY. If you were just guessing, when would you think the next opportune time, in case some of our people we use to negotiate with who are now using subsidies don't acquiesce or don't stop using subsidies, just a ball park, would you consider four weeks? Eight weeks? Twelve weeks?

Secretary BLOCK. I don't have any timing and would not pretend to tip my hand on this issue. Let me keep it open. You are interested in poultry. I know what you are thinking about.

Senator MATTINGLY. I would never bring up a parochial issue. But whatever the targeted product, it would seem like you shoot a shot across the back. How long do you wait to get a response?

Secretary BLOCK. We are currently still in the process of negotiations. We met in January; we met in February; we will meet again in March with the European Community. There will be a report back, and then we will decide.

Senator MATTINGLY. Are those people aware whether it will be Brazil, the EC, whether they will agree?

Secretary BLOCK. I am told they are very nervous.

Senator MATTINGLY. Thank you very much.

Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator.

SOYBEAN FARMERS

Mr. Secretary, I just have a couple more questions to ask. I know time is running out, and you have other commitments, and so do I at this point.

I think we have had a lot of discussion on some very important issues that have a direct impact on our efforts to increase market prices for farmers. Some farmers in my State particularly are concerned that soybeans weren't included in the payment-in-kind program, and I have had a lot of farmers communicate to me that the administration is not being sensitive enough to the plight of soybean farmers. Prices are down. The other day I signed a letter with some other Senators in which we recommended or suggested that we can do more to help move some of these soybeans in international commerce or be more aggressive in our trade activities, and also recognize that soybean oil could be moved in an export or bonus PIK-type arrangement with countries such as India, Turkey, and others that have been identified to me as ideal prospects for this new kind of aggressive trade activity.

Are you familiar with the arguments that are being made in this area, and do you have any plans to respond to them in a way that can provide soybean farmers some hope in the improvement in the market price picture in the future?

Secretary BLOCK. Yes, sir. On the PIK side for the soybeans, we have seen the market come up. Soybean acres are projected to be down—about 3½ million acres this year. The price has come up. I think soybeans tend to work in concert with feedgrains and other commodities, and I guess that is part of the reason they are going up and the acreage should be down. These are encouraging signs.

SOYBEAN EXPORTS

In the area of the exports, soybeans are holding their own pretty well this year. Some of the others are suffering a little bit more. In the case of the export PIK, as you are suggesting, and as I pointed out to Senator Mattingly, we haven't made any decision on what we would do. We are aware of the opportunity there, as you have suggested, and we will keep our eyes open on that.

CONCERNS FOR BUDGET CUTS

Senator COCHRAN. I am going to submit additional questions for the record because of the time constraints we have today, but I want to make some observations at this point.

In my initial review of the proposed budget, I am concerned about the sufficiency of money to help pay for warehouse inspections and licensing. This has been communicated to me as a potential problem area.

Also, I worry about the substantial reductions in spending in the Extension Service. We do all of this important research and try to develop new techniques for farmers—ways to operate more efficiently. Unless we have the commitment to get that research information out to the farmers and to the rural communities through the Extension Service, we haven't really done the job the Government has to do to convey that new-found information to the farmers in order to make it possible for them to operate more profitably and for their farms to be more efficiently managed.

I worry about my conclusions in the initial review of the budget, and in that respect, I worry about the research budget. I am not sure that the money is being skewed in the right manner toward more practicable, usable research activities and whether or not we are going in for more long-term kinds of projects that may or may not provide any real benefit to farming in terms of greater productivity and developing new strains of plants so that we can get our farmers in a better posture for profitability in the future.

But these are more specific things that we can take up with agency representatives or the people who are in charge of those specific functions of the Department. We will be going into those in more detail later.

FMHA FORECLOSURES

I have just one closing question. I am getting a lot of questions about what the intentions of the Department will be with respect to foreclosures this year in the Farmers Home Administration. I know we have the Administrator here from the Farmers Home Administration. But rumors are flying around in my State that Farmers Home intends to foreclose up to 25 percent of those who have farm loans this year. Is that the intention of this administration? If not, what is the intention?

Secretary BLOCK. No, sir, the intention of this administration was stated by the President in the State of the Union address, and that is, to be compassionate, helpful, and consider these borrowers on a case-by-case basis and help them as much as possible.

I have met with the independent bankers, the American bankers and the farm credit officials to devise ways that we could work together to fund some of the producers who need to be funded. We will have some casualties. That is what we look at today. It is not going to be any outrageous figure. We don't intend to move forward and see wholesale foreclosure. We want to keep our producers in business if they have any chance of surviving.

Senator COCHRAN. I had the opportunity to meet with Frank Naylor, who is the Assistant Secretary in the Department in charge of that function, to talk about the foreclosure outlook as well as intention. He made the observation that the foreclosure rate would probably be less than 2 percent nationwide. Is that what your idea is? Is that the official forecast by the Department of Agriculture?

Secretary BLOCK. I would project it would be less than 2 percent.

SUBMISSION OF QUESTIONS FOR RECORD

Senator COCHRAN. I want to thank you for your patience in answering these questions. Senator Hatfield has some questions, as well as Senator Burdick, and there may be others, which will be submitted in writing for you to answer for the record. We would appreciate your responding to those. Senator Andrews, Senator Chiles, and Senator Kasten also have additional questions for the record.

Secretary BLOCK.Thank you, Mr. Chairman.

Senator COCHRAN. Senator Eagleton?

STATISTICS ON FORECLOSURES

Senator EAGLETON. I have a couple brief questions, Mr. Chairman, and I will try to move along very, very quickly. I appreciate your patience and the patience of the Secretary.

As a follow-on to Senator Cochran's last line of questioning, Mr. Secretary, would you ask your Farmers Home people to prepare for us for the record comparable statistics, taking either calendar year 1981 and calendar year 1982 or fiscal year 1981 and fiscal year 1982, on foreclosures, deferrals, and forced sales?

Secretary BLOCK. We will do that. There may be one other figure in there, but we will get the picture you want.

Senator EAGLETON. Beef it up so we can look at what happened in calendar or fiscal 1981 and calendar or fiscal 1982, and your projections for 1983 and 1984. I don't want you to take it back to Christopher Columbus, but just so we can see if there are any trends. Please submit it to us, and we will put it in the record.

[The information follows:]

FARMERS HOME ADMINISTRATION
COMPARISON OF FARM LOAN SERVICING STATISTICS
FISCAL YEARS 1982 and 1983
(Number of Borrowers)

	FY 1982*	FY 1982 (1st quarter)	FY 1983 (1st quarter)	Projection for 1983-1984
Active Farm Borrowers	270,209	262,189	268,341	INCREASE 1/
Payments Rescheduled or Reamortized	12,689	1,156	4,998	INCREASE 2/
Deferrals of Principal and/or Interest	3,608	941	703	DECREASE 3/
Subordination of FmHA Security Interest for Operating Purposes	29,944	4,391	5,416	INCREASE 4/
Field Bankruptcy Petition	483	314	480	INCREASE 5/
Discharged in Bankruptcy	1,245	115	324	INCREASE 6/
Forced Liquidations Completed	844	189	212	DECREASE 7/
Voluntary Liquidations Completed	3,999	570	699	INCREASE 8/

*Statistics accumulated prior to FY 1982 are not comparable due to changes implemented in the methods of collecting data and changes in statistical categories. A comparison of FY 1982 (1st quarter) and FY 1983 (1st quarter) was made since FY 1983 (2nd quarter) data is unavailable as yet.

1/ Although there was a slight decrease between fiscal year ending 1982 and the first quarter ending 1983, it is anticipated that private credit criteria will remain stringent in 1983 with an easing of credit at yearend and into 1984. FmHA will realize an increase in active farm borrowers seeking other sources of operating credit during 1983 with a leveling off in 1984.

2/3/A continued increase in requests for rescheduling and/or reamortization of loan payments is expected as farmers attempt to reduce or eliminate the need to borrow for annual operating purposes. Deferrals are decreasing and may continue to do so as farmers realize that deferred payments accumulate unwieldy interest, and rescheduling/reamortizing provides the relief they need without accumulating unmanageable future payments.

4/ As rescheduling/reamortization improves FmHA borrower liquidity, private lenders are increasingly willing to extend credit provided they can obtain first lien security positions.

5/6/Recent reductions in interest rates, lower inflation, and anticipated increases in commodity prices are signaling improvements in the farming sector. However, substantial increases in bankruptcies are expected. The failure rate is a lagging indicator and normally continues to increase following the onset of recovery. Despite lower inflation and interest rates, farmers are still carrying burdensome amounts of short-term debt. Bankruptcy increases may last well into 1984.

7/8/Increased utilization of FmHA's rescheduling, reamortization, subordination, and transfer (assumption) authorities is stabilizing the number of borrowers being forced into liquidation. However, an increase in voluntary liquidations is anticipated as severe problem borrowers, with high short term debt, choose to "get out early". The severity of problems associated with this category of farmers is such that they cannot be corrected through existing FmHA servicing authorities. These borrowers understand that by voluntarily liquidating they can realize some capital gain in lieu of losing equity while attempting to resist foreclosure.

EXPORTS TO SOVIET UNION

Senator EAGLETON. Let me ask you a question or two on agricultural exports to the Soviet Union. What are the Department's estimates for exports to the Soviet Union for the current year?

Secretary BLOCK. Last year we sold over 13 million metric tons. So far, we have in excess of 6 million, I think. I don't know what the official estimate is. I had hoped we would be able to sell as much as we did last year, or more. I don't think we will. In fact, I would say we might be looking at somewhere around 8 to 10 million metric tons. There may be others with other projections, but that is what I would be looking at. The reasons are many. They had a better crop this year.

Senator EAGLETON. Six million metric tons have already been sold, and perhaps in the range of 8 to 10 total?

Secretary BLOCK. Yes; I believe so.

Senator EAGLETON. Not 8 to 10 on top of the 6?

Secretary BLOCK. No; 8 to 10 total.

GRAIN AGREEMENT

Senator EAGLETON. What is the position of the administration with respect to the possibility of a new long-term grain agreement with the Soviets?

Secretary BLOCK. The President has not decided to enter into negotiations at this point in time. I would point out that a decision will have to be made this year, between now and October, as to whether we are going to trade without an agreement when the agreement runs out—it runs out October 1—or are we going to negotiate a new one. I personally favor negotiating a new one, but we do not have an administration position at this point in time.

Senator EAGLETON. Would you personally favor negotiating a new long-term agreement?

Secretary BLOCK. Yes; I would favor one.

FARMERS HOME DISASTER LOANS

Senator EAGLETON. Now, my final matter, on January 12, I sent to the Secretary a letter enclosing a copy of a report that I had received from the Comptroller General regarding the administration of the Farmers Home disaster loan program. GAO's conclusion was rather direct and blunt. It said, and I quote from the report, "The administration is conducting the program in a manner which is inconsistent with congressional intent and in violation of the act." I have not yet received a formal reply, Mr. Secretary. Will you please tell me what the Department's position is on this matter and when we might expect a formal reply?

Secretary BLOCK. Senator, I am aware of the letter, and I even have a first draft of a reply, but I think we may be going to change it yet. Honestly, we have been in the process of trying to satisfy this question, and I have asked our attorney, Mr. Barnes, to speak to you on this. I think I will turn it over to him now, and if there is a policy question, I can take that.

Senator EAGLETON. Fine.

Mr. BARNES. Senator Eagleton, following the receipt of your letter and the Comptroller's opinion, our office, in conjunction with the Farmers Home people, reviewed that opinion. I think while it would be fair to say we disagree with the Comptroller's general characterization of what we are doing, we have changed our regs, and our people were doing some things I don't think were fairly reflected in those regs. We have concluded that it would be in the public interest to revise our regulatory structure, so it more clearly tracks the statute which does say that the Secretary shall make loans to producers who have been substantially affected by a national disaster. It is clear from the face of the regulation that the statute is being followed. We have streamlined. I think we have figured out some ways we can get that program in place more quickly in some cases than it is now. And I think it is our anticipation within the next week or 10 days we will put the regs out. Our intention is to do so on an interim basis, so there will be a chance for anybody who has an interest to give us any further comments on the way we are going to do that. The period between the time you sent your letter and now has been spent by the Department trying to bring some clarity and streamlining to that program. We feel confident that when we are finished, it is going to be apparent, hopefully, to everyone that we are in compliance.

Senator EAGLETON. Would you be adverse in this week or 10 days to briefing the members of the subcommittee staff as to where you are heading with this? We are not playing games to try to get you to change your judgment, but we want to be kept abreast of how it is evolving.

Mr. BARNES. I think as soon as we have a meeting with our top policy people and the thinking is this is the way to go, we would be glad to do that.

Senator EAGLETON. Mr. Chairman, I would ask whatever that point in time is in the next few weeks, after they have done some in-house work, if the majority and minority staff could meet with Mr. Barnes and see how this thing is evolving. We are not trying to blind side you.

Senator COCHRAN. I think that is an excellent suggestion. We appreciate your agreeing to do that.

Senator EAGLETON. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

SUBMITTED QUESTIONS

Senator COCHRAN. Thank you, Mr. Secretary. We thank all of you. Additional questions submitted by the Senators will be inserted in the record at this point.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Cochran

CCC REIMBURSEMENT FOR NET REALIZED LOSSES (BA)

Question: USDA farm programs have rapidly become a huge expense for the Federal Government and a source of nearly uncontrollable draw-down on the resources of the Commodity Credit Corporation (CCC). Ironically, good production years for our farmers, such as we have experienced recently, translate into low prices and a multitude of problems associated with surplus stocks. Last year, Congress increased CCC's authority to borrow from the Treasury from $20 billion to $25 billion, and also reimbursed CCC nearly $10.5 billion for net realized losses. These expenses were basically incurred as a result of costs associated with our farm programs. To carry CCC through the end of this current fiscal year, the Administration has submitted a supplemental request of $5.7 billion --bringing the total figure for fiscal year 1983 to $16.2 billion. On top of that, the request for fiscal year 1984 is $10.2 billion. Are these figures in line with your current projections of farm program costs for the rest of fiscal year 1983 and for fiscal year 1984?

Answer: Yes, they are in line with expected losses. Commodity Credit Corporation is requesting an urgent supplemental of $5.7 billion for restoration of FY 1983 losses not yet appropriated for. In FY 1984, we are requesting $10.4 billion to reimburse the Corporation for projected FY 1984 losses. While these requested appropriations do not exactly match projected farm program outlays, it should be noted that there were remaining balances of CCC borrowing authority taken into consideration in formulating the appropriation requests.

FARM PROGRAMS - IMPACT ON COMMODITY CREDIT CORPORATION (CCC)

Question: The major focus of the President's agriculture budget for fiscal year 1984 seems to be to reduce agricultural surplus through implementation of the PIK progam, and to modify existing price support programs to correct current supply and demand imbalances. While this subcommittee has no jurisdiction over these programs per se, it does have responsibility for reimbursing the Commodity Credit Corporation (CCC) for losses it sustains in making payments under the various farm programs. What will be the savings, or reduction in outlays, realized through the PIK program alone?

Answer: A significant reduction in CCC outlays will result from implementation of the PIK program. The PIK program is expected to save $577 million in FY 1983 and $2,729 million in FY 1984 from outlays projected in the current services budget.

Question: Are there other administration proposals for addressing the problems of surplus commodities, especially dairy stocks? Will any of the plans require new Congressional authorization?

Answer: Current authorizations and initiatives are adequate to dispose of current dairy stocks in a timely fashion. The problem, however, is that we keep purchasing additional stocks of dairy products. Thus, we must address the source of the problem -- excess supplies of milk and dairy products. This would require new legislation. While the Administration has not endorsed any specific plan at this time, a proposal which includes the following principles would receive the full support of this Administration:

-- It should allow freedom of initiative for an individual dairy producer rather than operate under any type of restrictive system.

-- It should maintain the type of program that has served producers and the industry quite well since 1949.

-- It should lower dairy surpluses by simultaneously reducing milk production and increasing consumption to achieve a reasonable balance between supply and demand.

-- It should be simple to administer and easily understood by dairy farmers.

-- It should give the Secretary of Agriculture the flexibility over time to adjust, up or down, the economic signals sent to farmers so supply and demand would remain in balance in future years.

COMMODITY CREDIT CORPORATION REVOLVING EXPORT CREDIT FUND

Question: Again this year, there are no funds included in the fiscal year 1984 budget for the CCC revolving fund authorized in the 1981 Farm Bill. Secretary Block indicated in testimony last year before this subcommittee that a request was possible in 1984 and that he felt the revolving fund may help increase agricultural exports. Why then were no funds requested for fiscal year 1984?

Answer. We did not request funds for the Export Credit Revolving Fund because it would require substantial funds for its initial capitalization. This would mean a large increase in Federal outlays at a time when we are attempting to bring about economic recovery through a reduction in the Federal deficit. Secondly, we feel that we can achieve our objective of export expansion with considerably less outlays than with the revolving fund through a combination of the blended credit program and the export guarantee program.

U.S.-USSR GRAIN TRADE AGREEMENT

Question: Now that the U.S. embargo against grain trade with the Soviet Union has ended, what is the Administration's position on seeking negotiations with the USSR for a new long-term grain agreement?

Answer: Although talks on a new long-term agreement were postponed in December 1981, we remain hopeful that conditions will improve, and that negotiations can get underway soon.

Question: How long do you predict will it take to rebuild the U.S. reputation as a reliable supplier of agricultural exports?

Answer: It is difficult to precisely predict how long we will be affected by the 1980 embargo. This Administration has taken a number of important steps to assure customers of our determination to be a reliable supplier of agricultural products. Through cooperation with the Congress, legislation has been passed regarding contract sanctity. Also, the President has denounced the embargo and he has stated the Administration's policy of avoiding limitations on agricultural exports. We believe that these steps will help to enable the U.S. to compete more vigorously in international markets.

Question: Secretary Block has been quoted as saying, "We are aggressively seeking more foreign markets for our U.S. commodities." For the record, would you please identify and outline efforts underway and planned to expand foreign markets.

Answer: The new blended credit program is designed to assist purchasing by countries whose imports are limited by foreign exchange constraints. Over $1.3 billion has already been allocated to about 14 countries, and we expect to announce other recipients soon. We also recently negotiated an understanding with Egypt for the commercial sale of one million tons of wheat flour over the next year. This program provides for the use of CCC wheat stocks to enable U.S. suppliers to sell flour to Egypt at a competitive price. We are also exploring an expansion of the P.L. 480 program in FY 1984, both in terms of seeking new markets and enlarging existing ones. Our regular GSM-102 credit guarantee program has been expanded significantly this year from $2.8 billion in FY 1982 to $4.8 billion in FY 1983. This program provides commercial credit to countries which might otherwise not be eligible for it. In addition, a number of other innovative export expansion measures are under active consideration.

COMMODITY CREDIT CORPORATION (CCC)

Question: Why has the Department switched from requesting funds for "net realized losses" sustained in past years to requesting funds for anticipated losses?

Answer: There was previously a two-year lag between the year CCC losses were incurred and the year the appropriation was received to reimburse the CCC. However, large increases in CCC entitlements and the resultant increase in outlays have accelerated the reimbursement of realized losses to restore CCC's capital impairment. CCC outlays have increased from $4.0 billion in FY 1981 to an estimated $18.3 billion in FY 1983. CCC had $25.1 billion invested in commodity loans and inventories on January 31, 1983. A year earlier, CCC had a total investment of $14.3 billion. We need to have our anticipated losses restored this year and next year so we can continue to operate the CCC through FY 1984.

KOREAN RICE SITUATION

Question: Turning to another subject, Mr. Secretary, the question on the commitment by the Republic of Korea to purchase 500,000 tons of 1981 crop rice has, as you know, become an issue of some controversy . . . and remains a matter of great interest to the committee and to the Chairman of this Subcommittee, I might add. I have been made aware of a meeting yesterday, among you and a number of Members of the House, I also have been made aware that those Members strongly urged that the ROK be mandated to honor that commitment -- both to purchase the rice, immediately for immediate shipment, and that the rice be 1981 crop rice as stipulated in the original commitment. Would you inform the Committee as to current status of this situation, and as to when we might expect the ROK to fulfill its obligations?

Answer: Of the original commitment to buy and ship 500,000 tons of 1981 crop rice, approximately 250,000 tons has been shipped. The ROK has a contract for the balance which has shipping provisions through June. Korea has indicated that if the current supplier is unable to ship the balance, it will seek the rice from other U.S. suppliers. We have urged the Koreans to promptly fulfill their commitment, indicating that we do not have position regarding which firm supplies the rice.

(FmHA) Housing Programs

Question: The budget proposes a rural housing block grant totaling $850 million as a substitute for existing Farmers Home Administration (FmHA) rural housing loans programs, on which thousands of rural American families depend.

(a) The President has called for a freeze on Federal social program spending. Your budget calls for a $2.2 billion cut in FmHA rural housing spending. That's $64.6 percent. Is that a freeze?

(b) Won't the grant only exacerbate outlay problems since it is an "on-budget" item, while the loan programs are "off-budget?"

(c) Could you provide the subcommittee with proposed state-by-state distribution formula for the grants?

(d) I am fearful that we will really be leaving much of rural America "in the cold" if this change is made. There is no guarantee that States will utilize funds to overlay the benefical impact of the current loan program. Additionally, a substantial reduction in funds is proposed. What is your assessment of the impact of this proposal on rural America?

Answer: The President's call for a freeze on spending applies to overall budget totals and provides for reductions as well as selective increases among programs. While it is true that the budget calls for a substantial reduction in the level of spending for rural housing, I would emphasize that the $850 million block grant program proposed for FY 1984 may provide more meaningful assistance to very low-income families than the $3.5 billion available for mostly loans in FY 1983. Many families with very low income simply cannot qualify for housing loans, even at one percent interest as can be provided under FmHA's subsidized loan programs. We feel that by providing grants rather than loans and by giving states the flexibility to tailor programs to meet the specific needs of their rural residents, more very low-income families will be able to benefit from such assistance.

The second part of your question deals with the effect of the block grant on outlays. There will be a short term increase in outlays with the implementation of the block grant. However, as the volume of outstanding loans is reduced the level of interest subsidy associated with those loans will decrease and that will offset the increase in outlays caused by the block grant. Your reference to the "off budget status of the loan programs" speaks to a budgetary change proposed in the block grant legislation. Under present legislation FmHA meets the cash needs of the revolving fund by borrowing from the Federal Financing Bank through the issuance of Certificates of Benefical Ownership. The authorizing language for the Rural Housing Insurance Fund requires that this transaction be treated as a sale of assets and thus as an offset against outlays. Our proposal would result in a more accurate accounting of this transaction as a debt, rather than a sale of assets. The loan programs are not actually off-budget. Rather the accounting procedures required by existing statute leave the impression the outlay impact of these programs is lower than it is. With the proposed change in accounting procedures outlays for the loan programs would be reflected at approximately the same level as the dollar volume of loans obligated.

The third part of your question concerns the distribution formula for the block grant. The funds will be allocated to the states based on the state percentage of low-income households occupying substandard housing, the state's percentage of National rural population and the state's percentage of families with incomes less than 80 percent of state median family income. Each of these factors would be given equal weight in the allocation. An actual distribution of the grant funds has not yet been made.

Your final question deals with the impact of the proposal on rural America. We view the rural housing block grant as a major improvement over FmHA's traditional lending programs, particularly the home ownership program. With the rising cost of single family housing it has become difficult for FmHA to meet the legislative mandate of directing 30 percent of available funds to very low-income families (50 percent or less of median family income) even when the mortgage can be subsidized to as low as one percent. In contrast, block grants can provide the state the flexibility to tailor programs to reach the very low-income families. In fact, the block grant proposal requires that 80 percent of the funds be earmarked for these families. We are also examining a proposal to extend the availability of Federal Housing Administration insurance to rural areas through the FmHA county offices. This step will help meet the mortgage credit needs of those rural families not needing subsidized assistance. We believe these proposals will provide for a better balance of housing assistance and will have a positive impact on rural America.

AGRICULTURAL RESEARCH

Question: The U.S. food and agricultural research system is built around (1) USDA's Agricultural Research Service (ARS), (2) the State agricultural experiment stations, and (3) the food and fiber industries which generally perform proprietary applied research and development.

ARS's budget has grown to almost a half billion dollars. The Federal Government provides $200 million to the States through Hatch formula funds and other research monies, including special and competitive research grants.

ARS has recently issued a strategic plan as the basis for its research program for the next several years.

(a) Is the requested funding adequate to carry out our research needs delineated in the plan?

(b) The General Accounting Office (GAO) recently issued a report on ARS research facilities which indicated that such facilities are under-utilized. What action is ARS taking or planning to consolidate or close unneeded facilities?

Answer: (a) Yes, the funding level requested in the 1984 Budget is adequate to carry out the ARS Program Plan. The plan is based on changes in research emphasis within a constant funding level in real terms. The changes called for by the Plan will take 6 years to implement. The ARS Program Plan identifies the major challenges and concerns confronting the agricultural industry; it charts the direction in which research must move in order to provide solutions to these problems.

(b) Resource projections are currently being prepared which will ultimately guide the operational planning, resource allocation and program execution for ARS, based on the general guidance in the ARS 6-Year Program Plan. Based on these initiatives, decisions will be made that will impact the laboratories and locations housing the respective research. ARS plans to consolidate research programs and close unneeded research facilities.

FUNDING FOR COOPERATIVE RESEARCH

Question: Are Federal and State funds, including Hatch formula funds, adequate to enable our State experiment stations to perform needed research? (Fiscal Year 1984 same level as Fiscal Year 1983.)

Answer: We expect that the State agricultural experiment stations funding will be at a level adequate to maintain their highest priority research thrusts. However since most of the major agricultural states are experiencing severe budget constraints and Federal funds are proposed to be at the same level as in FY 1983, some States probably will have to reduce or delay efforts on research which they consider to be of lower priority.

Question: Virtually every major agricultural state in the U.S. is undergoing state budget reductions. State agricultural research funds are being reduced, yet there is a recognized need to strengthen our research capability. What steps should be taken to safeguard the nation's agricultural research capability?

Answer: Of the food and agricultural research conducted in public institutions, about 60 percent is performed by the State agricultural experiment stations and 3 percent by the other cooperating institutions receiving funds administered by the Cooperative State Research Service. These institutions are contributors to the significant progress that has occurred in agricultural research under the State-Federal research partnership that the Department has with the states. We recognize that the major agricultural states are undergoing state budget reductions at the same time the Federal side is also under budget constraints. To safeguard this important component of the Nation's agricultural research capability, the Executive Budget has recommended to the Congress that the FY 1983 level of funding be maintained for FY 1984 for the Hatch, the McIntire-Stennis Cooperative Forestry and the Colleges of 1890 and Tuskegee Institute formula funded programs. In times of extreme budget constraints, it is important to maintain these base programs thereby providing maximum flexibility to maintain research programs at these institutions.

STATE RESEARCH FACILITY NEEDS

Question: The Congressionally mandated facilities study of 1979 indicated that the greatest need for updated and expanded research facilities is in the State Agricultural Experiment Stations. The 1982 Farm Bill continues an earlier authorization for funding for facilities. Why hasn't the Administration acted on this issue?

Answer: In keeping the fiscal year 1984 budget on a path consistent with sustained economic recovery, many diverse and competing needs were considered. The essential Hatch Act payments to the State agricultural experiment stations were maintained, to assist in providing a stable base for this program. While we recognize the importance of adequate research facilities at these institutions, no funding is requested within the budget restraints which we all must share.

Nutrition Programs

Question: As you know, there are several proposals under consideration by the Congress and the Administration to stimulate jobs and to give additional relief to the needy. Although the specifics of those initiatives are not yet known, what is your general forecast for revised spending estimates by USDA for the various nutrition programs it administers?

Answer: It is very difficult to do more than speculate about revised spending estimates without knowing who will benefit by these initiatives and the amount of the additional relief. In general, however, unless this relief is narrowly targeted on our current program participants or a substantial portion reaches them, the cost of USDA's nutrition programs should not change dramatically.

Because of its size and its responsiveness to general economic conditions, the Food Stamp Program is most likely to be affected. The efforts to stimulate jobs may reduce program costs if current food stamp participants find work and leave the program. On the other hand, if the major beneficiaries of the new job opportunities are unemployed workers who do not receive food stamps now, program costs would be unchanged. Extension of unemployment benefits may enable some unemployed households to avoid entering the program--or postpone benefit increases to others whose benefits would have run out--and result in reduced costs.

The lack of any strong historical relationship between unemployment and the Child Nutrition Program suggests that their costs would not be altered by much. Similarly, since WIC is not an entitlement program, there would be no revision to the current spending estimate.

Question: How soon can Congress expect to receive a proposed legislative package, if these proposed legislative changes are enacted, will they alter USDA's ability to provide adequate assistance to those Americans who are truly in need?

Answer: If the proposed legislative changes for the Food Stamp Program are enacted, they will not alter the Department's ability to provide adequate assistance to those Americans who are truly in need.

Approximately 80 percent of all savings will be derived from reducing payments made in error or increasing State liability for errors not from entitled benefits.

Approximately 15 percent of all savings will come from slowing the rate of benefit growth and 5 percent will come from the Community Work Experience Program.

The goal of these proposals is to reduce program complexity, the potential for error, administrative time, recipient burden, and case processing time thus providing better service. These proposals mark a return to a more directed food assistance program and the nutrition goals set by the landmark Food Stamp proposals of 1977.

CONSERVATION PROGRAMS

Question: You are proposing a 61 percent budget reduction for the Agricultural Stabilization and Conservation Service (ASCS). It seems to me that the timing of this reduction may be a little off. It occurs during a period of time when the general public feels conservation is an important national priority. The Agricultural Conservation Program (ACP), the Forestry Incentives Program (FIP), and the Water Bank Progam (WBP) are highly desirable and popular conservation programs. If Congress happens to restore funding for these programs, we are accused of fueling inflationary budget increases. On the other hand, if we don't fund these programs, our agricultural constituents in the 50 states and territories are penalized and the rate of deterioration of the nation's production base increases.

Please explain to us why these programs have been reduced and, in fact, why the Forestry Incentives Program and the Water Bank Program are, for all practical purposes, discontinued?

Answer: The decision to reduce funding for the ACP was based on fiscal policy considerations. We are fully aware of the need to maintain a strong conservation effort; however, the most compelling immediate need is to reduce the Federal deficit in order to permit continued economic recovery. The reduction in ACP is proposed as a temporary measure. Activity is easier to resume in a cost-share program than it is in other types of conservation programs where a reduction would essentially be permanent.

Under the consolidated ACP, each State will receive a single allocation based on historical participation in the ACP, FIP, and WBP. States and counties will apply available funds to the highest priority local needs and thus determine the resources devoted to forestry practices and water bank agreements.

CONSERVATION

Question: We have been hearing, since the Administration's first days in town, that conservation is a big priority. For example, on February 9, President Reagan told editors and broadcasters that "the administration is making efforts to help the farmer who is 'truly a victim of the cost-price squeeze,' by encouraging agricultural exports and soil conservation, and by the PIK program."

I applaud the export and PIK segments of the President's remarks, but cannot understand how soil conservation is being encouraged when we requested budget reductions of $284 million in Soil Conservation Service--SCS--and ASCS conservation activities combined.

Is it, nevertheless, the Administration's position that you are encouraging conservation in other ways? Please explain.

Answer: The FY 1984 Budget, consistent with the recently released National Program for Soil and Water Conservation, establishes clear national priorities for addressing soil and water problems. The highest RCA priority of reducing soil erosion to maintain the productive capacity of agricultural land is clearly reflected in the FY 1984 conservation budget. Even in these austere budget times, the SCS technical assistance program is being increased and targeting of technical assistance to geographic areas with critical erosion and water conservation problems is being more than doubled. Accelerated technical assistance in targeted critical areas is being increased from $12.5 million in 1983 to $26.3 million in 1984. Targeted activities will cover part or all of about 800 counties in 44 States in FY 1984. Program accomplishment and effectiveness can be expected to dramatically increase as the accelerated assistance comes on line. During FY 1984, SCS and other conservation agencies will continue to sharpen the focus of other ongoing program operations to provide additional emphasis to erosion control, water conservation, and the reduction of upstream flooding. Increased emphasis on conservation tillage and other cost efficient measures are being and will continue to be incorporated into the full range of conservation program activities.

The major decreases in the conservation budget are in the cost-sharing and financial assistance program areas. These are areas that are most flexible in being able to delay work and absorb large decreases at least on a temporary basis, without the permanent adverse impact on the program delivery system or on the resource base that major cuts in other conservation programs would have. The conservation budget, excluding these cost-sharing and financial assistance programs, will be about the same in 1984 as 1983 with some small shifts between individual program items. Research and technical assistance are both maintained at a very high level and, in fact, modest increases are proposed for economic research and for technical assistance.

QUESTIONS SUBMITTED BY SENATOR ANDREWS

Farm Credit

Question: Will your FY 1984 budget for FmHA permit that agency to stay with these farmers who are in such deep financial trouble and see them through these difficult times?

Answer: FmHA financed nearly 100,000 farmers through its regular farm loan programs in 1982. Another 42,000 existing borrowers are still in business because FmHA went the extra mile in working out deferred principal and interest payments, rescheduled or reamortized loan terms, or subordination of FmHA security to allow these borrowers to obtain loans from private lenders.

We expect to keep our farmers in business. FmHA's loan programs, in our opinion, are adequately budgeted to serve this purpose in both FY 1983 and FY 1984. Farm loans of FmHA are estimated at about $4 billion for both FY 1983 and FY 1984. Regular farm loans total about $2.5 billion in FY 1984, slightly more than the $2.2 billion used in FY 1983 when there was no shortage of funds any time during the year.

Question: Does the FY 1984 budget for FmHA provide for the needed increase in staff in the county offices where the work really is so they can process the applications in a timely manner?

Answer: We are proposing to increase FmHA staff years from 11,213 in FY 1982 to 11,859 in FY 1983, and to 12,014 in FY 1984. This represents a 7 percent increase in staff years between FY 1982 and FY 1984.

The staff for farm loans will be increased by about 25 percent between FY 1982 and FY 1984, with 657 staff years added in FY 1983, and 594 staff years in FY 1984. Total staff years at FmHA county offices will be increased by about 12 percent between FY 1982 and FY 1984, with 649 staff years added in FY 1983, and 250 staff years in FY 1984.

Rural Electrification Administration

Question: The Rural Electric Cooperatives have proposed a corridor or a floor and a ceiling for both the insured loans and guaranteed loans. This year I understand the Administration's proposal of not more than $3.235 billion for guaranteed loans is an agreeable floor by the RECs. My question Mr. Secretary, if there is a need for more than the $3.235 billion would you and your REA Administrator agree to working within a corridor of say $3.235 billion floor and a ceiling of say $4 billion.

Answer: We are confident that the $3.235 billion requested for electric loan guarantee commitments will be sufficient. However, if a significant demand for additional lending authority materializes, we would consider requesting supplemental authority.

Question: For FY 1984, the Administration is proposing to reduce REA insured loans by more than 50%. What is the rationale for these proposed reductions?

Answer: We are recommending reductions in the REA insured loan levels as part of the total plan to reduce the level of available investment capital absorbed by the Federal government. We need to insure that adequate capital will be available for the private sector as the economy begins to improve.

Question: I understand that the rural electric cooperatives are proposing to enhance the Rural Electric and Telephone Revolving Fund by enabling an increase in the REA interest rate. Do you support this recommendation?

Answer: We are pleased that borrower organizations such as, the National Rural Electric Cooperative Association, the National Telephone Cooperative Association and the Rural Electric Cooperative Finance Corporation have analyzed the problems of the revolving fund and developed recommendations to resolve these problems. At such time specific recommendations are made we will review them and formulate a position.

CONSERVATION GRANTS PROVISION OF 1981 FARM BILL

Question: The 1981 Farm Bill contained a provision for grants. It is my understanding that the rules and regulations necessary to implement this provision have not been released. Why haven't the rules and regulations for the grants provision been released? Also, when can we expect them to become available?

Answer: The proposed rule for implementing the grants provision was sent to OMB on November 12, 1982. Negotiations have been going on with OMB for release of the proposed rules for the program. No funds have been requested for implementing the grants provisions in FY 1984.

AGRICULTURAL CONSERVATION PROGRAM

Question: You are calling for a reduction in the Agricultural Conservation Program (ACP) in FY 84 of $134 million. This will leave only $56 million to carry on the conservation work that is funded at $190 million in FY 83. Also, your budget calls for terminating the Water Bank Program and the Forestry Incentives Program as separate line items in the budget. They are to be included in the $56 million ACP program. If they would receive their fair share of the $56 million, it would work out to about $2 million for Water Bank and about $3 million for Forestry Incentives. This compares to the $8.8 million for Water Bank and $12.5 million for Forestry Incentives funding for this year. In North Dakota alone, it is estimated that it would take $3.7 million to renew the Water Bank contracts that will expire in 1984.

How do you expect our farmers to be able to continue to apply the needed conservation practices to protect our precious soil resource, water quality, and wildlife when they are already in economic trouble and are more in need of cost-share assistance now than before?

Answer: While these are unquestionably large reductions for federal cost-sharing programs, the committee is reminded of the large level of assistance that is being offered through the acreage reduction and payment-in-kind programs. These programs will take a significant amount of erosive land out of production, and farmers are being requested to put retired acreage into soil conserving uses. Finally, some conservation practices are becoming more cost-effective, even when viewed in the short-term. Conservation tillage and irrigation efficiency improvements can often be justified on the basis of energy cost savings alone, thus reducing the need for federal financial assistance. Consequently, the risk to the productive capacity of the Nation's farms is significantly less when acres are idle than it is when farmers are planting fence row-to-fence row.

The combined program proposal will enable states and counties to apply available funds to the highest priority local needs. Thus resources devoted to forestry practices and water bank agreements can be allocated on a local needs basis rather than an historical determination of fair shares at the national office.

PAYMENT IN KIND PROGRAM

Question: Mr. Secretary, when you announced the PIK program, barley and oats were not included as eligible crops. In North Dakota, barley and oats are the major feed grains produced in the state. Stocks of barley in North Dakota increased from 78 million bushels on January 1, 1982 to nearly 114 million bushels on January 1, 1983. Nationally the carry over of barley stocks, by your own figures, was 42 percent. As you are aware, I have written you asking that you reconsider your decision to exclude barley from the program. I also know that the North Dakota State Legislature has, by House Concurrent Resolution No. 3024, urged you to include barley in the PIK program. Why wasn't barley included in PIK when the program was announced? There obviously were enough barley stocks available to cover the bushels that would be needed for payment-in-kind.

Answer: In general, carryover stocks of grains are large and burdensome. Farm prices are low, reflecting excessive supply in relation to demand. In designing the PIK program, commodities were examined individually and aggregately. We determined that although imbalances existed for barley and oats, the proportions of ending stocks to use were not as severely out of line with historical levels as for the other commodities. Therefore, it was felt that the combination of a PIK program for corn, grain sorghum, wheat and rice, and a 20-percent acreage reduction program or cash land diversion program for barley and oats would be sufficient to improve the overall supply and demand balance and strengthen grain prices.

Question: If you do not include barley this year, will you include it in the 1984 program if you have one?

Answer: We will review the supply and demand balance for all feed grains when formulating the 1984 program.

Question: One of your stated benefits of the PIK program was that conservation practices would be applied to the estimated 23 million acres that would be involved in the program. Farmers are telling me that they are told that all that will be necessary is for them to keep down the weeds. How are you going to get conservation applied to those 23 million acres?

Answer: As you know, farmers agree to devote specified acreage to conservation use when they sign their PIK contracts. We believe that they will, in fact, fulfill the requirement using resources that would otherwise finance production costs on the acreage.

Those who install temporary measures must do so at their own expense. The cost of temporary measures is, as might be expected, considerably less than that of permanent measures. The value of the PIK payment would sufficiently cover the cost of most temporary measures. Many producers may minimize the cost of the required conservation measures by using the stubble or small-grain left on the ground as a temporary measure. Producers who choose to install permanent measures would be eligible to apply for ACP cost-share assistance.

Compliance with the conservation use requirements will be verified by spot-check field observations.

SCHOOL LUNCH PROGRAM

Question: Why is the Administration proposing to require families to apply for free and reduced price school lunch through local food stamp offices, instead of allowing them to continue applying through the child's school?

Answer: We are proposing that welfare offices verify a sample of applications in order to provide administrative relief to local education agencies. Welfare offices have professionally trained staff who can perform these functions with ease. Educators will not have to add the administrative duties of income verification to their responsibilities. Although only a small portion of non-Food Stamp applicants will be verified, we believe that deterrence of misreporting or fraudulent reporting will occur to further strengthen the integrity of the programs' operation.

Block Grant

Question: Are you aware that at your own USDA Outlook Conference in December, a major new study was presented showing major nutritional benefits from the school breakfast and lunch programs? The study, based on USDA's own data, found strong evidence that children participating in the breakfast program have significantly improved intakes of those nutrients for which there is clinical evidence of deficiencies among school children. The study also found that the nutritional benefits of the breakfast program are particularly large among low income children. Yet, this is one of the programs you would cut under the block grant proposal?

Answer: A study entitled the Nutritional Effects of School Lunch and School Breakfast was presented by researchers from the University of North Carolina at the recent USDA Outlook Conference. While study findings were based on data made available from USDA's 1978 Nationwide Food Consumption Survey, the interpretation reached by these researchers, especially with regard to the School Breakfast Program, is methodologically unsound.

A more recent (October 1980) and comprehensive assessment of the School Lunch and Breakfast programs, the National Evaluation of School Nutrition Programs, has just been completed under the direction of FNS. This study was designed expressly to avoid the methodological problems inherent in the North Carolina Study. With regard to the Breakfast Program, the FNS results differ markedly from the North Carolina Study. The FNS findings clearly show that School Breakfast meals, as consumed, are not superior to the meals students obtain from non-USDA sources except for milk-related nutrients. And these findings hold regardless of the participants income level.

These findings, with respect to the Breakfast Program, imply support for a General Nutrition Assistance Grant because States would have the flexibility to design programs which best suit local needs.

FOOD STAMP PROGRAM

Question: Why is the Administration proposing in the 1984 Budget, that all States operate workfare programs in which food stamp recipients must work for no wages until they have worked off the value of their food stamps?

Answer: We are proposing mandating participation in Community Work Experience programs because it will assure that all able-bodied food stamp recipients are encouraged to find work in the public sector or to perform useful public services when no private job is available.

Also, it is estimated that the proposal would save $90 million in Fiscal Year 1984. Effective administration would realize these savings in two ways: (1) individuals finding regular employment, thus, becoming ineligible or entitled to smaller allotments; and (2) individuals not wanting to work being deterred from participation, by sanctions, if necessary.

BLOCK GRANT

Question: About 90% of the federal funds in the programs you are proposing to cut and block grant now go for free or reduced-price meals served to low income children. How can you justify reductions from current services of over $200 million (or nearly 30%) in these low income child nutrition programs?

Answer: While a large percentage of funds provide benefits to free and reduced price participants, there are still areas where the programs can be tightened and improved. For example, the Family Day Care Home part of the Child Care Food Program is poorly targeted--75 percent of the meals to children from families with incomes over 130 percent of poverty.

In making its decision, the Department considered a variety of ways to improve the programs, including a series of incremental changes. However, rather than add further complication to these programs, we decided to consolidate the programs and give States the flexibility to determine what changes would most improve the programs in their States. The level of the grant reflects the value of the programs after the incremental changes that had been initially considered.

Question: Doesn't your proposal freeze the block grant at $535 million for a number of years to come without any allowance for food price increases? Isn't it true that the block grant results -- by the Administration's own estimates -- in a cut of actually 46 percent from current services by FY 1988?

Answer: It is true that the General Nutrition Assistance Grant is proposed at a fixed level for Fiscal Years 1984-1988. Because of this the savings estimates as a proportion of the cost of the programs under current services grow in future years. However, States designing programs could achieve efficiencies to offset inflation.

COST-OF-LIVING CHANGES

Questions: Isn't it true that child nutrition and food stamps have not been overindexed -- that they are different from pension programs because they are adjusted by food prices and not by the overall CPI? How can you justify a six-month delay in cost-of-food adjustments in these programs?

Answer: The proposed delays in cost-of-living adjustments in the Food Stamp and Child Nutrition Programs have not been offered as corrections for overindexation of these programs in the past. Rather, they are part of a government wide approach to controlling a growing budget deficit. Furthermore, the delay has several advantages over alternative ways of achieving similar savings. In the Food Stamp Program, for example, the delayed update to the Thrifty Food Plan will:

- o not reduce the current food stamp benefit of any household -- it simply delays the scheduled increase;
- o affect relatively high income households more than those with lower income; and
- o be simple to implement without disrupting State agency operations or increasing the potential for error.

Similarly, in the Child Nutrition Programs the delay in adjusting meal subsidy levels will:

- o not reduce the current subsidy level for any meal, only delay the scheduled increase;
- o not affect free and reduced price children since the prices they pay would remain the same; and
- o be simple to implement without disrupting State of local operations or adding additional administrative complexity to the programs.

Question: Isn't it true that a COLA delay affects free lunch reimbursements far more than reimbursements for lunches to non-poor children? Isn't it the case that the poorer a school district and the higher its concentration of low income children, the more school lunch funds it would lose under the COLA proposal?

Answer: The COLA delay affects all subsidy levels in the same manner. That is, the free, reduced price and paid meals all experience a six-month delay in increasing the subsidy level of about 6 percent. Since the amount of the free subsidy level is higher than the others, the delay represents a higher level of cents per meal delayed. By the same token, school districts that have a higher concentration of low income children would also lose a higher actual value of school lunch funds, but the proportion of total school lunch subsidies that represents would be about 6 percent, the same as all other school districts.

RAISING LUNCH PRICES TO THE NEAR-POOR

Question: Won't more children drop out if prices are raised? Didn't your predictions two years ago that children would not drop out of the lunch program prove to be wrong?

Answer: If prices are raised, some drop in participation is expected. It is not correct to say that the Department did not predict that children would drop out of the program. The estimates of savings as a result of the Omnibus Reconciliation Act of 1981 (P.L. 97-35) included some savings due to the assumption that when meal subsidy levels decrease and prices increase, a participation decrease of less than 1 percent for each cent that meal subsidies decline will occur.

Question: You propose to raise lunch prices for reduced-price meals provided to near-poor children. Isn't it true that the 1981 budget cuts cut federal reimbursements (and raised lunch prices) even more for these meals than for lunches served to middle-income children? Isn't it true that the number of near-poor children getting these lunches declined by one-sixth as a result of the cuts, a larger proportion than the decline even among middle income children? Didn't the price of these lunches quadruple in one year -- from 10 cents in September 1980 to 40 cents in September 1981. Why are you proposing to raise these prices again?

Answer: The Omnibus Reconciliation Act of 1981 raised the maximum price for reduced price meals from 20 to 40 cents not from 10 to 40 cents. During 1980 States had the option of setting the maximum reduced price below 20 cents, usually between 10 and 20 cents. However the maximum price was 20 cents.

Reduced price participation declined by 15 percent after the passage of the Act, but increasing the price was not the only reason for the drop in participation. Tightening the eligibility guidelines and requiring more income documentation, and reduced national school enrollment also affected the decline.

The Administration is proposing that there be an independent subsidy for reduced price meals. When the subsidy is linked to that for free meals, reduced price meals subsidies rise faster than inflation. An independent subsidy level would assure that reduced price meal subsidies rise at the same rate as inflation as all other subsidies.

WIC

Question: Your budget proposal would freeze WIC funding at the year's level, without any allowance for inflation. Budget documents provided by the Department's Food and Nutrition Service admit that 104,000 women, infants and children would have to be cut from the program. How can this be justified, especially at a time when high unemployment is increasing the number of pregnant women and children in need of WIC?

Answer: While we fully believe in the accomplishments of this program, we believe cost containment must be undertaken in this program, as in other programs, as part of the economic recovery effort. The proposal to maintain WIC in 1984 at the 1983 level is in line with the proposal for a freeze in cost of living increases.

We believe that the caseload reduction anticipated can be accomplished without compromising the positive effects of the WIC program which have been shown for pregnant women and infants.

Question: WIC participation stood at over 2.4 million persons in September 1982. According to your budget documents, that would drop to 2.25 million persons in FY 1983 and down to less than 2.15 million persons in FY 1984. This is a combined reduction over two years of over 250,000 low income women, infants, and children at nutrition risk. How can you justify this?

Answer: As we said in the previous response, we believe cost containment must be undertaken in this program. We intend to assist States in economy efforts so that they may serve more participants. We plan to relieve some of the administrative burden caused by restrictive regulations as one cost savings measure.

The proposed Fiscal Year 1984 budget level should not result in higher risk participants such as pregnant women or infants being removed from the program. These participants comprise slightly less than 50 percent of the participants. Approximately 19 percent of all infants in the U.S. receive WIC benefits.

QUESTIONS SUBMITTED BY SENATOR KASTEN

DAIRY TRADE

Question: Where are we failing in achieving a balance or trade surplus between our dairy imports and exports?

Answer: U.S. dairy product prices are significantly higher than world prices and to be competitive in world trade would require a substantial and permanent export subsidy. This Administration has taken a strong stand against the use of agricultural export subsidies and is opposed to the use of export subsidies as a matter of practice and policy. The United States is a net importer of dairy products but not of agricultural products in general. If every country insisted on "a balance or trade surplus" in each commodity sector, there would be no trade and great distortions in the concept of comparative advantage.

Question: What action needs to be taken to curb imports and expand exports?

Answer: Imports of most dairy products are already strictly controlled through a licensing and quota system administered by the U.S. Department of Agriculture and the U.S. Customs Service. Imports of dairy products on a milk equivalent basis generally account for less than 2 percent of domestic U.S. production. Expanding commercial exports of U.S. dairy products would require an export subsidy or a reduction in the domestic support price to enable exporters to meet lower world market level of $5-6/cwt.

Question: What action has been taken?

Answer: In FY 1981 overseas sales of dairy products totalled 220,000 MT and foreign donations totalled 117,000 MT. In FY 1982 the United States sold 37,000 MT of dairy products abroad and donated 121,000 MT. FY 1983 sales to date total 60,000 MT and donations are projected at 160,000 MT. U.S. dairy sales in FY 1981 reflected the 100,000 MT sale of butter to the New Zealand Dairy Board, 30,000 tons each of butter and cheese to Poland and 60,000 tons of NFDM to Mexico. Foreign donations in FY 1981 consisted entirely of NFDM. Sales of butter, cheese and NFDM to Poland accounted for almost all of U.S. diary export sales in FY 1982. In FY 1983 the only sale to date has been the sale of 60,000 MT of NFDM to Mexico.

Section 416 of the Agricultural Adjustment Act of 1949 was amended in November 1982 to give USDA authority to make donations of CCC-owned dairy products to assist needy people outside the United States. Under this program the United States has donated 34,000 MT of dairy products to date in FY 1983.

Question: Are the dairy products we import so unique and sought after that our own industry cannot produce these products for our domestic market?

Answer: In some cases, yes. Imported dairy products like sheep's milk and goat's milk cheeses and other speciality cheeses are in some respects unique and U.S. demand is met by imported product. In other cases, however, American producers do make a similar product--i.e., cheddar cheese--but sales of imported product, often at higher prices, do reflect consumer demand and preferences. Trade is a two-way proposition and we hope the countries we export our farm products to will follow the philosophy that the criterion for importing should be based on consumer demand and not on domestic production capabilities.

FEDERAL MEAT & POULTRY PRODUCTS INSPECTION ACT OF 1983

Question: My distinguished colleague, Senator Inouye, and myself introduced a bill, The Federal Meat & Poultry Products Inspection Act of 1983, earlier today.

The bill calls for the allowance of state inspected meat products to be shipped interstate. As you know, present law allows for only federally inspected meat products to be shipped interstate.

This bill was introduced last session, but was held up due to time constraints. However, hearings were held on the House side in September and USDA commented favorably on this bill. Your comments were solicited by Senator Inouye last August and your reply read "The Department of Agriculture recommends enactment of this bill".

Given the time that has lapsed, do you see problems in moving the bill this session?

Answer: No, we do not see any problems in moving the bill this session as there appears to be growing support for it in the Congress. We hope hearings may be held soon, leading to early mark-up and enactment.

Question: Would you or the Food Safety & Inspection Service of USDA have any recommendations to make pertaining to the bill at this time?

Answer: I would like to reiterate that USDA continues to support this measure and will be happy to cooperate with you, Senator Inouye and other members of Congress in securing its passage.

DISCRETIONARY INSPECTION BILL

Question: Yesterday, Mr. Secretary, you testified before the Budget Committee outlining the FY 84 USDA budget. Included in your statement was a list of legislative changes USDA is proposing in support of the FY 84 budget. One proposed change reads as follows:

Food Safety and Inspection Service

Amendment to the Meat & Poultry Inspection Acts to Authorize "Less than Continuous" Inspection. This proposal would eliminate the continuous" inspection requirement at meat and poultry processing plants. The frequency of inspection of each facility will be based on criteria set out in the proposal. Briefly, could you offer further explanation of this proposal?

Answer: Under the Federal Meat Inspection Act and the Poultry Products Inspection Act, USDA administers in-plant inspection programs which are designed to assure that consumers receive wholesome, unadulterated meat and poultry products and that these products are properly marked, packaged and labeled. In view of the conditions which existed in the meat and poultry industries at the time the major inspection laws were passed, it was determined that an intensive system of inspection was needed. This intensive inspection system involving the daily, on-site presence of inspectors has come to be known as "continuous" inspection.

During the years in which USDA has conducted its inspection programs, processing methods have evolved from relatively simple procedures such as cutting and boning meat into highly sophisticated, technologically advanced operations. Food technology, as well as processing and information-gathering techniques, have changed greatly. Mass production equipment has been introduced and there is a much greater variety of products and processes. Improved methods of monitoring processing operations also have been developed. With these innovations, continuous inspection is no longer necessary or practical in every instance.

USDA needs the flexibility to allocate its inspection resources in a way that will deal more efficiently and economically with the many different kinds of inspection situations faced today. Accordingly, the Department is recommending that the statutes authorizing meat and poultry inspection activities be changed to give USDA more discretion in determining appropriate methods of food processing inspection on a plant-by-plant basis.

Question: What criteria are set forth in this proposal? Is this information available?

Answer: Under the provisions of this proposed legislation, each processing establishment would be individually evaluated to determine the frequency and intensity necessary to assure that all meat and poultry products are safe, wholesome, and appropriately labeled. The criteria for determining what inspection is necessary are the nature and frequency of the establishment's processing operations, the adequacy and reliability of the establishment's product monitoring system, the establishment's history of compliance with inspection requirements, and other appropriate factors.

Question: Do you foresee any positive or negative impact this proposal would have on the bill Senator Inouye and myself introduced today?

Answer: Support for the bill you proposed with Senator Inouye may be enhanced by the discretionary processing inspection bill. Since States in the Grants to States program are required to maintain meat and poultry inspection programs that are at least equal to Federal inspection, they would also be able to establish their own less than continuous inspection programs. This should help ease the economic burden of State programs because State-run inspection programs are often responsible for large numbers of small plants which place a greater relative workload on inspection programs than do larger plants. With this legislation, States would be able to allocate their resources more effectively and economically.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

TOBACCO PRICE SUPPORT PROGRAM

Questions regarding the Federal Tobacco Price Support Program. These are concerns over the administration of the recently passed no-net cost tobacco program.

Question: Under the allotment sale provisions of the legislation, have more active tobacco farmers purchased allotments, and are fewer leasing allotments?

Answer: Based on preliminary reports from flue-cured tobacco States, there is considerable activity in the sale and purchase of flue-cured tobacco allotments and quotas. For example, the North Carolina State ASCS Office reports that as of February 15, 2,470 owners had sold allotments and quotas representing approximately 3,108 acres and 5,586,000 pounds quota. However, the final date for selling allotments and quotas is June 15. It is not possible to determine the total amount of quota that will be leased and transferred to other farms because the final date for leasing allotments and quotas is April 15. It is our belief that fewer quotas will be leased and transferred in 1983 since the farm owners that are selling allotments and quotas probably had leased and transferred such allotments and quotas to other farms in prior years.

Question: Recently the national tobacco program referendum was held. From news reports, there appeared to be considerable discrepancies in the manner in which the referendum was held, and the number of voters participating. Has a review of the participation of individuals not specifically engaged in the production of tobacco in the referendum been made? Please comment for the record.

Answer: Complaints were filed in five counties in North Carolina that ineligible persons had voted in the flue-cured tobacco referendum of December 16, 1982. The Administrator of ASCS requested investigations by both the Office of the Inspector General and the ASC committees in the five counties involved.

The county committees determined that the maximum number of ineligible voters in the five counties was approximately 3,117. It was determined that the number of ineligible voters was not large enough to alter the outcome of the referendum. The Office of the Inspector General declined to conduct an investigation since the outcome of the referendum was not in dispute.

Question: Is the assessment required of farmers on quota poundage marketed sufficient to meet the possible costs of large losses in stored tobacco due to warehouse deterioration?

Answer: Yes, based on projected sales and final disposition of the crop in five years, the assessment is sufficient. If it is found in later years that the No-Net-Cost Tobacco Fund or Account will not be sufficient to preclude losses, the assessment to growers will be increased to the extent necessary. No losses are anticipated because of warehouse deterioration. Tobacco will be sold before this occurs.

Question: What is the actual value of tobacco stored in government tobacco warehouses, what percentage is likely to be lost to deterioration over the next five years, and what is its value?

Answer: The status of CCC tobacco loan collateral as of February 1, 1983, is as follows:

Crop Years	Loan Collateral (thousand pounds)	Principal Outstanding (thousand dollars)	Accrued Interest (thousand dollars)
1975-1982	842,947	1,455,629	347,564

No losses due to deterioration are anticipated. Any losses that might occur would be caused by increased prices needed to offset interest and storage cost, expected decrease in demand for loan stock tobacco as a consequence of tax-induced price advances on tobacco products, and changes in manufacturers' blends to increase use of lower-priced foreign grown tobacco. These losses would be paid from the Association's No-Net-Cost Fund or Account.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

EXPORTS

Question: Mr. Secretary, in recent remarks before the Second European Agricultural Outlook Conference, Dick Lyng stated the following:

> "In the United States, we realize fully that our desire for long-term stability in our farm economy is extremely difficult to achieve, if not totally incompatible with our need to export a large part of our production. Moving a heavy volume of exports into a world market that is buffeted about by a host of significant economic and political factors--changing currency values, fluctuating energy prices, varying domestic farm policies, growing export subsidies, and widespread trade barriers of every description--almost guarantees a heavy degree of instability. And for us, with a farm policy in which we try to establish support price loan levels below world market clearing prices, instability in export markets quickly translates into instability and frequent low prices in our domestic markets."

If Mr. Lyng is correct in his analysis, and I have no reason to doubt him, where does that leave us in terms of farm policy? Does this Administration believe that the real answer to an improved U.S. agricultural outlook is not in increased exports as Mr. Lyng seemed to suggest in his statement?

Answer: Mr. Lyng was by no means suggesting that increased exports are not important to an improved U.S. agricultural outlook. He was simply indicating that the risks of relying on international markets are higher than the risks of relying on a domestic market alone. The alternatives, however, are still less acceptable. It is unthinkable that we would abandon one fourth to one third of our most efficient economic enterprise in order to achieve a greater measure of protection and stability for the remainder.

Neither are we prepared to behave like the European Community by isolating farmers from international competition, forcing consumers to pay the bill in higher prices, and dumping surpluses on world markets at the expense of other exporters. The answer lies in recognizing a certain degree of instability inherent, as Mr. Lyng has said, in changing currency values, fluctuating energy prices, varying domestic farm policies and other factors; but working through international cooperation to reduce or eliminate as many of these factors as possible, especially export subsidies and other trade barriers which flagrantly aim to shift the burden of adjustment to other countries.

EXPORT FINANCING

Question: Has the Department estimated what impact these export financing programs have on reducing the cost of the normal price support operations? What are your estimates of this impact?

Answer: Yes, we have tried to assess the impact of export financing programs on the cost of the normal price support operations. This is difficult at best because it is hard to isolate the effect of these programs from the effects of other programs, such as the acreage reduction program, given constantly changing supply and demand conditions. We believe the export programs have been positive and have the potential to reduce price support outlays. For example, the blended credit program has resulted in export sales of five times the government outlays associated with the program. For FY 1983, we will be able to finance at least $1,750 million in export sales for a government outlay of only $350 million. We expect that, for the most part, these will be additional export sales. To the extent that additional export sales are generated through the program, season average prices of the commodities shipped will be higher than they would otherwise be, and ending stocks will be lower. Higher prices and lower stocks mean that Commodity Credit Corporation will finance fewer commodity loans, pay less storage and interest, and make lower deficiency payments.

On the whole, savings equal to and possibly greater than the initial government outlay for blended credits will likely be generated. Moreover, the money provided for the direct credit portion of the blended credit program is repayable with interest in subsequent years. Thus, the program saves taxpayer dollars while helping the farm economy.

US-USSR GRAIN AGREEMENT

Question: What circumstances are necessary to exist before this Administration will agree to proceed to negotiate a new long-term grain agreement?

Answer: Talks on a new long-term agreement--LTA--were postponed in December 1981, because of the unsuitable atmosphere for negotiations. We are hopeful that bilateral conditions will improve so that discussions can get underway in the near future.

EGYPT FLOUR UNDERSTANDING

Question: What is the current estimated net cost to the taxpayer of the announced sale of one million tons of flour to Egypt?

Answer: It is estimated that, with the additional subsidy needed to cover the freight differential for carrying half of the sales on U.S. vessels, the total in-kind subsidy will be about 46 million bushels. The CCC inventory value of the wheat used for the Egyptian flour sale is approximately $165 million. However, this does not represent the eventual net cost to the taxpayer. CCC acquired the grain when farmers forfeited it to satisfy loans made prior to crop year 1982; therefore, the funds were previously spent at the time the loans were made. Further, the reduction of CCC stocks will prevent the additional expenditure of taxpayers' funds for storage and interest expenses related to maintaining the wheat in inventory. The annual savings on storage and interest is estimated at approximately $41 million.

Since it is not possible to forecast what costs, if any, could have been recovered if this grain were disposed of in some other mannner or how long the grain would have to be held before such disposition, it is not possible to determine the net cost or net gain to the taxpayer resulting from this transaction.

EXPORTS

Question: The Congress authorized $500 million of direct export credit in the FY 1983 Agriculture Appropriations Bill and directed that no less than $175,000,000 nor more than $190,000,000 be used for export subsidy in the Omnibus Reconciliation Act of 1982. It is my understanding that to date the Department has utilized only a small portion of these direct export credit funds. What are your current plans to utilize the remainder of these funds?

Answer: The Appropriations Bill limited direct credit in FY 1983 to no more than $500 million, of which $350 million has been committed to the blended credit program. No decision has been made on whether the remaining $150 million of direct credit will be used this year.

Technically, the requirements of the Reconciliation Act have been satisfied by the use of $350 million in direct credit this year. However, this does not preclude us from taking further actions to promote exports if such actions are warranted. In view of the current agricultural trade situation, we need to have flexible tools which can be quickly drawn upon.

Question: The latest outlook report issued by the Department of the export situation was less than optimistic. Both the quantity and value of exports is expected to decline this year. What more can we be doing to move U.S. commodities into export channels and would additional direct credits or funding of the export credit revolving fund prove helpful?

Answer: Although export credit is a significant factor influencing foreign demand for U.S. agricultural products, it is not the only factor. Availability of foreign currency, the exchange rate level, inflation, domestic supply and distribution, export prices, etc., are some of the key determinants of foreign demand for U.S. agricultural products.

The Administration has designated sufficient export credit guarantee lines under the traditional GSM-102 program and in the blended credit program to facilitate imports of U.S. agricultural products by foreign countries experiencing financial difficulties temporarily, because of the worldwide recession and declining export earning for their products. Support for agricultural exports is currently designated at $4.8 billion for GSM-102 and $350 million for GSM-5 offered by CCC and up to a projected $1.0 billion in short term export credit insurance offered by the Export-Import Bank. Given this support and drawing on CCC's financial authority, the Administration did not find it necessary to activate the revolving credit fund.

Question: Do you consider these programs a success? What quantities of the various commodities have been moved into the export market to date as the result of these funds?

Answer: Because of the lag that exists from date of exports to processing data on export sales supported by credit programs, it is difficult to provide up-to-date figures on commodity movement as requested. However, preliminary figures as of February 1, 1983 indicate about $410 million of various commodities corresponding to about 5.7 million tons have moved in export channels in this fiscal year under GSM-102 alone. Corresponding figures on the Blended Credit Program are not available yet. We consider these export sales additional to what would have been exported without export credit supports.

Question: What is the total dollar request for export financing you have received to date?

Answer: As of February 25 and since the start of fiscal year 1983, requests for export credit guarantees under GSM-102 totaled $5.1 billion.

As of February 28, requests for blended credit under GSM-102 and GSM-105 totaled $2.3 billion.

Only the GSM-5 portion of the blended credit is financed by CCC; the balance although guaranteed by CCC under GSM-102 is financed by the U.S. private sector.

EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM

Question: The Department of Agriculture has two main programs whose purpose is to provide nutrition education and nutrition information to the public--the Nutrition Education and Training Grant Program and the Expanded Food and Nutrition Education Program. The former is proposed for elimination and the latter is proposed to be cut by over 40%. Does the Department believe the U.S. public is adequately informed about nutrition issues or do you believe the Department should not be doing as much to inform the public about nutrition?

Answer: The two programs serve different clientele. The Nutrition Education and Training funds are granted to the States for the dissemination of nutrition information to school children and for inservice training of teachers and food service personnel in the public school system. The Expanded Food and Nutrition Education Program (EFNEP) serves the needs of low-income families in every State. The

Department firmly supports providing the U.S. public with the best available information and educational programs about nutrition.

The reductions in information programs are based on the overriding need to reduce Federal spending. The primary objective of the Nutrition Education and Training program to develop curriculum materials has been met. The States can continue educational efforts with these resources. We must continue to rely on the private sector to reach most of the American public with nutrition information. The Department is currently working with private organizations to obtain financial support for an expanded, privately financed outreach effort.

DISTRIBUTION OF SURPLUS DAIRY PRODUCTS

Question: In December 1982, the Secretary wrote to governors suggesting the assistance of Cooperative Extension Services in setting up and carrying out State plans to distribute surplus dairy products. What has been the response to this suggestion?

Answer: The response and subsequent involvement of the Cooperative Extension Services in this activity has varied from State to State with active involvement of the Governor's office in some States. For the most part CES is contributing to States planning groups on distribution methods, enlisting volunteers and volunteer groups to work at distribution sites and in advising other Federal, State, and local agencies. CES is providing information to the public on how to utilize the products and storage and handling procedures.

PAYMENT IN KIND PROGRAM

Question: Mr. Secretary, a year ago I presented you with an analysis of the 1982 farm program which had been done at my request by the Department of Agricultural Economics at the University of Missouri. I think the conclusion of that report bears repeating. The University's economists stated the following:

> The current Reduced Acreage Program has the potential of increasing reserves in the coming crop year unless a very poor crop year is experienced. Low participation in the program could lead to prices near the loan and increases in reserves. Government expenditures would be high due to storage payments, deficiency payments, and CCC purchases.

Needless to say, today, we find ourselves with record stocks of all commodities, record high levels of Government outlays for the farm programs, and record despair amongst the farm community.

The University has just completed an analysis of the announced PIK program. You will be happy to know that their analysis of the PIK program is not quite as gloomy as their view of the failed farm program of 1982. The University's economists see the PIK program as increasing net returns to farmers by almost 50 percent over the simple reduced acreage program that had been in place for 1983 until January when PIK was announced. It is most important to point out that these increased returns will come not as the result of higher market prices but from $3.5 billion in added Government payments to farmers through PIK in the form of commodities and from $4.5 billion in decreased farm production costs that is going to come directly out the pockets of seed dealers, chemical and fertilizer suppliers and other rural businessmen.

The University's economists believe, as well, that even with PIK, crop reserve levels will be high enough that additional supply control programs are going to be needed in 1984 and possibly in 1985.

It is apparent to the University's economists that many farm cooperatives and farm suppliers can survive the economic impact of this year's PIK program. They are very concerned, however, about what one or two more years of PIK would do. Have you looked at what impact this policy is having on the farm input industry?

Answer: Yes, our Economic Research Service has completed several studies on the impact of the PIK program on the farm input industry. If a PIK program is considered for the 1984 crop year, we will also consider the impact on the farm input industry before any decision is made.

Question: On Monday, the Washington Post carried a story which indicated that a recent report issued by the National Cotton Council revealed that large cotton farmers in California and Arizona may realize at least $1 million in profit as the result of the announced PIK program. Is this report accurate and would you care to comment on it for the Committee?

Answer: The National Cotton Council report includes a sample farm budget for a large cotton grower under various Government program alternatives, including PIK. The example shows that the farm in question could realize approximately $1 million in net returns after deducting short-term operating costs, also called variable costs, from total gross income. The Washington Post inaccurately reported this same figure as profit. To calculate net profits, fixed costs totalling approximately $1.6 million for items such as machinery, overhead, and management would have to be subtracted from the income amount, resulting in a net loss of about $400,000.

Question: As you well know, there has been a great deal of concern expressed regarding the tax treatment of PIK commodities. Would you please provide the Committee with an update on this issue and what is being done to assure farmers that this matter will be clarified before taxes come due.

Answer: The Department of the Treasury, with the Department of Agriculture's assistance is seeking legislation that would make PIK commodities taxable when they are sold. Legislation that defers any income tax liability until the PIK commodities are sold or used in farm operations is expected to be passed by the Congress and signed by the President by March 11.

Question: Has the Department estimated the economic impact of the PIK program on the farm input sector? If so, what will that impact be?

Answer: Yes, the Department has determined the economic impact of the PIK program on the farm input sector. The impact of the PIK program on farm input industries will be due largely to changes in crop acreage, commodity prices, and net returns to farmers. Idled acreage will reduce total input use in 1983 but will lead to improved returns in 1984 and increase input use in future crop years. Use of farm chemicals, energy, and seed in producing feed grains, wheat, rice, and upland cotton will decline slightly in 1983 due to reductions in planted acreages from those expected to occur under previously announced programs. Farm machinery purchases are not likely to be affected significantly since they are related more to net returns than to acreage planted in a particular year. While reduced acreage of crops harvested in 1983 could affect sales of certain lines of equipment, improvements in net returns to producers in 1984 would have a positive effect on machinery sales.

Question: Does the Department plan to make any assistance available to farm input industries that are substantially affected by the PIK program?

Answer: At this point, we do not believe that any input industry should be so severely affected that assistance would be necessary. Our main focus is to improve the farmers' position so that the farm industry as a whole will recover.

Question: Recently, it was brought to my attention that many farmers in southeast Missouri who have 1981 and 1982 crop cotton under loan with CCC are being asked to take back as their PIK payment their 1981 crop cotton even though the quality of this cotton may prevent them from having a ready market for it. What is being done to assure these and other cotton farmers that they will be able to market their PIK cotton?

Answer: Under the PIK program, the producer is given a marketable commodity. However, CCC does not assure the producer of a market for the commodity. CCC does take into consideration the quality of the commodity when adjusting for PIK. A producer would receive more units of a commodity that is of lesser quality.

QUESTIONS SUBMITTED BY SENATOR STENNIS

Farm Credit

Question: In your prepared statement, you stated that decreasing inflation and interest rates have kept farm production costs from increasing. I can accept that statement because I have seen the figures. However, you also said that inflation rates should remain low and interest rates should continue to decline. As much as I would like to accept that, I cannot. Many reports say that, at best, interest rates will stay the same, and it is very possible that they will rise. In that event, what will happen to the 45 percent of the farmers who you said in an earlier speech are hurting or just getting along? Will they join the 5 percent you said may have to get out of farming?

Answer: As with any economic forecast, we recognize that there is a degree of uncertainty about our view that inflation rates should remain low and that interest rates should continue to decline. However, I think that we can agree that we are not likely to see a return to the unacceptable high inflation and interest rates that existed in 1981. Since then, inflation has been brought under control and interest rates have been reduced substantially. At least for the near future, we can expect that any increases in inflation or interest rates will be short-term in nature and relatively small in size, and insignificant in terms of their impact on farmers.

In my testimony, I indicated that about 12 percent of our farmers have debts totalling more than 40 percent of their assets and, for that reason, may be considered to be financially vulnerable. Excessive borrowing as well as high interest rates may have contributed to the problems these farmers are now facing. Reduced interest rates on current borrowings may help some of these highly-leveraged farmers, but these farmers will remain at a disadvantage with respect to the vast majority of those farmers who have limited or no debt.

Question: You mentioned that credit conditions are improving, that loan-deposit ratios at agricultural banks are declining, indicating that these banks have reserves sufficient to provide for increased loan activity. My question is, "what good is it to have more reserves for loans if the farmers are in such poor condition that they cannot qualify for loans from private banks or the Farm Credit System Bank?" As I understand it, many farmers have been turned down by these institutions this year, and have been forced to turn to the Farmer's Home Administration. It could be that these loan-deposit ratios have declined because of the fact that these farmers cannot continue to qualify for loans.

Answer: Loan deposit ratios and other indicators of credit availability are important because the vast majority of our farmers are still able to qualify for loans from private banks or the farm credit system. As I indicated in my testimony only about 12 percent of our farmers are highly leveraged and for that reason, may be more financially vulnerable.

Most farmers are postponing purchases of new machinery and making other efforts to conserve credit, which has reduced demand. For example, lending by the Farm Credit System declined by over 10 percent in 1982. But, the percentage of farmers being denied credit by private lenders remains small. A recent survey by the American Bankers Association reports that Agricultural Bankers estimate that the share of farmers whose financing will be discontinued in 1983 will be about 4 percent. Some of these farmers may be forced to quit farming, at least temporarily, while others will turn to FmHA, supplier financing or other funding sources. We expect that FmHA will be able to provide adequately for new and existing borrowers who can truly be helped by FmHA debt and management assistance.

Rural Housing

Question: You have proposed that the Farmers Home Administration's Rural Housing Loan and Grant Programs be consolidated into one state-administered rural housing block grant program. This greatly affects a state like Mississippi, where a majority of the housing state-wide is rural. I would like to know how this proposed legislation compares to the current funding level for rural housing, not only in terms of dollars, but also in terms of units. If you do not have these figures available now, then I would like to have a response as soon as you can get them?

Answer: We estimate that approximately 90,000 units will result from the $3.2 billion available in FY 1983. Estimating the number of units that will result from the $850 million block grant is difficult because it depends to a great extent on what types of programs the states decide to implement. If, for example, the states utilize most of the block grant funds to purchase and rehabilitate structures for low-income families, we estimate the number of units that could be assisted to be about 20,000 per year. If, however, the funds are used to rehabilitate owner-occupied units the estimate would be about 70,000 units. We realize there is a potential that significantly less units will be assisted but it should be kept in mind that our proposal will direct this assistance to very low-income families. For those rural families not needing subsidized assistance, we are examining a proposal to increase the availability of mortgage credit by extending the availability of FHA mortgage insurance to rural areas by authorizing FmHA county offices to administer the insurance program.

QUESTIONS SUBMITTED BY SENATOR CHILES

CARIBBEAN BASIN INITIATIVE

Question: We're familiar with the anticipated benefits from the proposed Caribbean Basin Initiative. Please tell us about any potentially harmful aspects as they may relate to agricultural interests in Florida and other states.

Answer: While the Caribbean Basin Initiative--CBI--was being developed, the Department of Agriculture analyzed the potential of Caribbean countries to increase their exports of agricultural commodities to the United States. Even with a zero duty there are not likely to be any import surges from the Caribbean. In 1981 the value of perishable horticultural products excluding bananas and plantains imported from the Caribbean was $31 million. Even if this value were to double as a result of the CBI program, imports from the region would still represent less than 15 percent of 1981 perishable horticultural product imports from Mexico.

Should Caribbean perishable imports exceed our expectations, the Initiative contains a "fast track" safeguard provision designed to protect domestic producers from sudden market disruptions due to increased imports of perishables from Basin countries. Under this provision, an industry which files a Section 201 petition on a perishable commodity may at the same time petition the Secretary of Agriculture for emergency action. I will then analyze the petition and within 14 days determine whether or not to request that the President reimpose the MFN duty on the product.

Question: How do you plan to monitor the rule of origin provision in the proposed CBI legislation to minimize transshipments from non-CBI countries?

Answer: The Department of Agriculture plans to monitor the rule of origin provision in a manner similar to that used for the Generalized System of Preferences--GSP. Since January 1976 the USG has successfully enforced import regulations pertaining to the operation of the U.S. GSP with relatively few problems, and we anticipate no trouble in this area with the CBI.

Citrus transshipment was a possibility under the CBI legislation as initially drafted. However, the Caribbean Basin Economic Recovery Act was amended to specifically preclude products which are the result of "simple combining of packaging operations or--of--mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article" from receiving duty free treatment under the Initiative.

Question: How will the Department of Agriculture assess the impact of CBI on the agricultural sector?

Answer: Once the CBI is in place, the Department of Agriculture will continue to monitor imports from the Caribbean so as to stay alert for dramatic swings and/or upward surges in imports from the Caribbean Region. Our Foreign Agricultural Service commodity specialists have been carefully briefed on the proposed program and I am confident that they will be able to monitor the situation effectively.

ACCESS TO JAPAN'S CITRUS MARKET

Question: Unfortunately there has been little progress toward opening up the Japanese market for more U.S. grapefruit and other citrus trade. What do you think can be done to allow U.S. citrus growers in particular and U.S. farmers in general greater access to the lucrative Japanese market? Specifically, what is the Department of Agriculture doing to lower these trade barriers?

Answer: Japan has residual import quotas for fresh oranges, orange juice, and grapefruit juice. Fresh grapefruit and lemons were liberalized in the early 1970's. Japan is now the leading U.S. export market for these two citrus items.

Japan has significantly enlarged the import quotas for oranges and citrus juices in recent years as a result of the Multilateral Trade Negotiations--MTN. Their continued existence, however, impairs U.S. citrus exports and is a major irritant in our trade relations with Japan. For Japanese fiscal year 1983/84 beginning April 1, 1983, the last year of the MTN agreement, the quota amounts are 82,000 metric tons for fresh oranges, 6,500 tons for orange juice, and 6,000 tons for grapefruit juice. These juice quotas are expressed in terms of concentrate.

In cooperation with the U.S. Trade Representative, we are demanding that Japan liberalize the remaining citrus quotas beginning in 1984/85. We have coordinated this position with representatives of the citrus industries of Florida, Texas, Arizona, and California. Japan, however, has not yet been prepared to negotiate. It appears at this time that substantive negotiations may not begin for several months because of upcoming local elections in Japan.

EC CITRUS RESTRICTIONS

Question: What is your Department doing to reduce trade obstacles imposed by the European Economic Community that affect Florida's citrus exporters?

Answer: The major trade barrier to our citrus exports to the European Community is the Community's system of preferential tariffs. These preferences systematically discriminate against U.S. exports and provide a significant tariff advantage to nearby Mediterranean countries. They affect trade in nine citrus products of interest to the United States, including fresh oranges, fresh grapefruit, and orange juice.

We made a number of efforts over past years to reach a bilateral solution with the European Community that would ameliorate the adverse impact of the preferences on U.S. exports. Unfortunately, these efforts were unsuccessful, and the Community made it quite clear that continued bilateral efforts would not produce any resolution of the problem. Consequently, in June 1982 we requested the Council of the General Agreement on Tariffs and Trade to establish a panel of experts to examine the tariff preferences for citrus on the basis that these preferences are inconsistent with the Community's obligations under the General Agreement.

The Council agreed to the establishment of a panel in November 1982. The members of the panel are currently in the process of being selected.

SUBCOMMITTEE RECESS

Senator COCHRAN. The next meeting of the subcommittee will be on Tuesday, March 1, at 9:30 a.m, in room SD–124. At that time, we will hear witnesses from the Agricultural Cooperative Service, the Agricultural Marketing Service, the Office of Transportation, and the Packers and Stockyards Administration.

The subcommittee will stand in recess until that time.

[Whereupon, at 4:20 p.m., Thursday, February 24, the subcommittee was recessed, to reconvene at 9:30 a.m. on Tuesday, March 1.]

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, MARCH 1, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:40 a.m. in room SD–124, Dirksen Senate Office Building, Hon. James Abdnor presiding.

Present: Senator Abdnor.

DEPARTMENT OF AGRICULTURE

MARKETING AND INSPECTION SERVICES

STATEMENTS OF:

C. W. McMILLAN, ASSISTANT SECRETARY, MARKETING AND INSPECTION SERVICES

RANDALL E. TORGERSON, ADMINISTRATOR, AGRICULTURAL COOPERATIVE SERVICE

VERN F. HIGHLEY, ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE

MARTIN F. FITZPATRICK, JR., DIRECTOR, OFFICE OF TRANSPORTATION

B. H. (BILL) JONES, ADMINISTRATOR, PACKERS AND STOCKYARDS ADMINISTRATION

ACCOMPANIED BY ROBERT E. SHERMAN, DEPUTY BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING STATEMENT

Senator ABDNOR. The subcommittee will come to order.

I am sorry we are starting 5 minutes late. I appreciate your patience, gentlemen.

This morning, the subcommittee will hear from the Assistant Secretary of Agriculture for Marketing and Inspection Services, and from representatives of four agencies or offices under his purview.

The Agricultural Cooperative Service operates as the Department's coordinating office for activities involving cooperatives throughout the country. Its purpose is to guide farmers in helping themselves by providing assistance necessary to improve existing cooperatives and to help organize new ones. For fiscal year 1984, the President is requesting $3,677,000, a reduction of $962,000 from the 1983 level.

The Agricultural Marketing Service carries out a wide array of programs authorized by a number of agricultural marketing laws. Through its marketing and regulatory programs, the AMS promotes the orderly and efficient marketing and distribution of farm products. It provides a market news service; several inspection, grading, and standardization services; and numerous market protection and promotion activities. The request for AMS marketing services is $28,925,000, a reduction of $6,019,000 from the fiscal year 1983 appropriation.

The third office is the Office of Transportation, which administers and coordinates a variety of transportation programs in USDA aimed at insuring an efficient domestic and international transportation system for U.S. agricultural products. The fiscal year 1984 request for this office is $2,523,000, an increase of $107,000 over fiscal year 1983.

Finally, the Packers and Stockyards Administration (PSA) administers the Packers and Stockyards Act of 1921, as amended, and, therefore, is charged with the responsibility of maintaining fair competitive prices in the marketing of livestock, meat, and poultry. The administration's fiscal year 1984 request is for $9,013,000, an increase of $179,000 over the amount provided in fiscal year 1983.

Gentlemen, I am sure that you are better acquainted with the administration's numbers than I. We are pleased to welcome you to the subcommittee this morning.

Secretary McMillan, I know you are accompanied by Randall Torgerson, ACS Administrator, AMS Administrator Vern Highley, P&SA Administrator Bill Jones, and Transportation Office Director Martin Fitzpatrick. We welcome you all to the committee.

We have the statements and biographies you have provided to the committee, and I assure you they will be made a complete part of the record.

Secretary McMillan, I apologize for making you wait this long. I know you are raring to go. Just take over.

SECRETARY'S REMARKS

Mr. McMillan. Thank you very much, Mr. Chairman.

In the interest of conserving time for all of us, I suggest each of the administrators give an abbreviated statement of that which you already have before you with a brief overview of agency activities and the budget requests. I suggest we start with Mr. Randall Torgerson, Administrator of the Agricultural Cooperative Service.

Agricultural Cooperative Service

Mr. Torgerson. Mr. Chairman, we appreciate the opportunity to discuss with you the programs and funding request of the Agricultural Cooperative Service. You have my prepared statement, and I understand it will be made a part of the record.

[The statement follows:]

STATEMENT OF RANDALL E. TORGERSON

I appreciate the opportunity to discuss with you the programs and funding request of the Agricultural Cooperative Service. First, I want to introduce my associates who are with me today -- Dr. Jack H. Armstrong, Deputy Administrator, Agricultural Cooperative Service, and Mark Sheldon, Branch Chief, Financial Management Division, Agricultural Marketing Service.

The Agricultural Cooperative Service (ACS) serves as the Department's focal point in providing research, analysis, and technical assistance to farmer cooperatives. Since September 1980, as it did from 1953-1978, ACS operates as an independent agency, carrying out major functions assigned by the Secretary. Missions of the Agency closely follow those spelled out by Congress in The Cooperative Marketing Act of 1926.

State of Cooperative Well-Being

The 1980's have been particularly difficult operating years for farmers and their cooperatives. Cooperatives are in practice and theory an off-farm extension of the farmers' business. When farmers don't earn any money, neither do their cooperatives. Net farm income has been depressed in recent years and current forecasts do not indicate a turnaround in 1983. Consequently, cooperatives are tightening belts just like their member-owners.

The adaptation of cooperatively owned businesses to this environment is a difficult challenge. In many situations it involves structural change through dissolution, mergers or acquisitions. Hard business decisions must be made by managers and cooperative's boards of directors on behalf of their members. They need and must use the best information available so they can make the most responsible decisions, in a time of great uncertainty, to serve the long run needs of their farmer-members. While these decisions and efforts are the obligation of the cooperatives themselves, ACS can provide assistance from a national perspective that is beyond their capability.

Agency Missions

The Agricultural Cooperative Service provides cooperative research and policy analysis and is the primary supplier of technical assistance to farmer cooperatives. We help existing cooperatives improve and assist emerging ones to get a good start. We concentrate on providing immediate response and leadership to bring about more effective and efficient cooperative operations in support of family farms.

The Agency's program has five basic missions: (1) technical assistance, (2) cooperative development, (3) research, (4) collection of cooperative statistics, and (5) cooperative education and information.

Technical Assistance and Cooperative Development

Technical advisory assistance is provided in response to direct requests from farmers or boards of directors of cooperatives. We provide help in developing new cooperatives, examining the merits of potential cooperative mergers and investments, assessing needed changes in business organization and operations to enhance efficiency and growth, and establishing more effective relationships between cooperatives and other organizations, businesses, and institutions. Our technical assistance program covers the full range of organization and management problems confronting cooperatives. Through 80 projects, the Agency provided technical assistance to 105 producer groups and developing cooperatives in FY 1982. The projects spanned a wide variety of commodities including grain, soybeans, milk, nuts, cottonseed, guava, strawberries, blueberries, mushrooms, peanuts, squash, cotton, and forest products. These efforts involved producers in 32 States across the Nation. The types of assistance provided by the Agency ranged from basic organizational planning for emerging cooperatives, to designing coordinated marketing systems for groups of cooperatives, and helping cooperatives develop programs for the export sales of their members' commodities.

Cooperative Research

Research on cooperative issues is conducted to give farmers and policymakers accurate and relevant data on problems relating to cooperatives. Research is focused on broad problems facing the entire agricultural cooperative community and on specific issues dealing with commodity or regional groups. Some examples of Agency research completed the past year are redemption of member equity in cooperatives, analysis of State cooperative statutes, development of pricing plans for managing seasonal deliveries of milk, organization and performance of U.S. forestry cooperatives, and a financial profile of the largest cooperatives in 1981.

Cooperative Statistics

Statistical data on cooperatives are collected to detect changes in structure, operations, and growth trends. These data help identify and support applied research and technical assistance activities. Last year we identified 6,211 farmer cooperatives in the United States--a decline of 525 cooperatives since 1977, in part reflecting a continuing reorganization trend in the form of merger, consolidation, or dissolution. Cooperatives increased their total business volume to $71.5 billion in 1981, up 8 percent from 1980. Commodity marketings represented about 75 percent of total business volume, led by grain and oilseeds, dairy, livestock, and fruits and vegetables. In farm supplies, producers increased their purchases by 5.7 percent from 1980 to $17 billion in 1981. Petroleum products, fertilizer, feed, and farm chemicals led the way.

Education and Information

The Agency also serves as the national focal point for educational information on farmer cooperatives. This information is made available through a variety of informational and educational publications including a monthly magazine to directors and managers of cooperatives, and numerous publications to cooperative organizations, universities, teachers, farmers, and other people involved with cooperatives. In response to the Administration's desire to reduce spending for publications, the Agency is establishing a user-fee program.

Problems Facing Cooperatives

Even though cooperative business volume continued to increase, financial problems of farmers have extended to their cooperatives. Both total assets of $26.3 billion and net margins of $1.4 billion were down from 1980. Net margins of all cooperatives dropped 26 percent. More than twice as many large cooperatives showed losses in 1981 than in 1980. Losses nearly doubled to $137 million. The financial condition of the larger cooperatives puts additional pressure on many local cooperatives who depend on patronage refunds of these larger cooperatives for a part of their own equity revolvement and patronage refund programs.

Cooperatives are faced with making significant adjustments in response to changed financial conditions. For many it is a matter of survival. We are seeing and being asked to assist in studying an increasing number of mergers and consolidations. The number of cooperatives dropped by 82 or 1.3 percent during 1981 largely due to mergers, acquisitions by other cooperatives, or liquidation.

In an effort to assist financially ailing cooperatives, ACS is developing plans to assess business performance standards for various types and sizes of cooperatives. These standards will help managers and directors analyze potential business trouble spots and aid in taking necessary preventive action. Development of these standards combined with recent work in financial management and equity redemption represents a broad agency effort to encourage improved financial management and long-range planning by managers and boards of directors.

Another major area of ACS assistance to cooperatives is in determining how they can best represent farmer-owners in the export market. Cooperatives have made several attempts to strengthen their position in this increasingly important market and so far have encountered only mixed success. Our data base on cooperative exports, organizational studies and foreign market analysis has provided cooperatives an excellent place from which to address these problems. We have had excellent reception from the cooperative community for our efforts. Secretary Block has repeatedly encouraged cooperatives to expand the 8 percent level of grain exports they handle, calling farmer-owned cooperatives "one of the most important self-help vehicles for improving the farm economy." We expect continued contributions by ACS to cooperative export development.

These examples merely highlight the long list of issues facing farmer cooperatives in these difficult times. Others include: adjusting to declining farm input volumes, developing more integrated marketing systems, financing for future growth and modernization, serving increasingly diverse farmer clientele groups, and adjusting to changes in transportation modes and services. The challenge to cooperatives to adjust to these problems is great. ACS is equally challenged to provide the type of data and analysis needed by cooperatives. By providing the best technical advice and assistance and researching issues concerning farmer cooperatives, we will contribute to the lasting strength of these self-help farmer organizations.

The agency's goal is to assist farmers in organizing and developing economically strong farmer cooperatives and thereby foster increased efficiency in the food industry and improved farm incomes. For Fiscal Year 1984, the Agricultural Cooperative Service is attempting to concentrate on problems of highest priority and greatest payoff for the cooperative community. Our budget request for FY 1984 is $3.7 million, which is essentially the same as the adjusted FY 1983 request.

To conduct our various activities we intend to utilize a total of 70 staff years. By September 30 of this year, we intend to have reduced our employment to this ceiling.

With the talented staff and fully adequate resources we have at our disposal, ACS will be able to provide the appropriate level of assistance to the cooperative sector as it, like all American industry, modernizes and prepares for the years ahead.

Mr. Chairman, I thank you for the opportunity to present this statement. We will be pleased to respond to questions.

AGENCY MISSION

Mr. TORGERSON. The Agricultural Cooperative Service serves as the Department's focal point in providing research, analysis, and technical assistance to farmer cooperatives. Missions of the agency closely follow those spelled out by the Congress in the Cooperative Marketing Act of 1926.

The eighties have been particularly difficult operating years for farmers and their cooperatives. They need and must use the best information available so they can make the most responsible decisions, in a time of great uncertainty, to serve the long-run needs of their farmer members. While these decisions are the obligations of the cooperatives themselves, ACS can provide assistance from a national perspective that is beyond their capabilities.

The Agricultural Cooperative Service provides cooperative research and policy analysis and is the primary supplier of technical assistance to farmer cooperatives. Our basic program missions, as spelled out in the 1926 Cooperative Marketing Act, are technical assistance, assistance to groups of farmers interested in organizing new cooperatives, research on cooperatives, collection of cooperative statistics, and cooperative education and information.

Briefly, on each of these, the technical assistance is provided in response to direct requests from the farmers or boards of directors of cooperatives. Research on cooperative issues is conducted to give farmers and policymakers, such as yourself, accurate and relevant data on problems relating to cooperatives. In the statistical area, data is gathered on cooperatives, then analyzed and reported to detect changes in structure, operations, and growth trends. In the education and information area, the agency also serves as a national focal point for educational information on farmer cooperatives.

FINANCIAL PROBLEMS OF COOPERATIVES

Even though cooperative business volume has continued to increase, financial problems of farmers have extended to their cooperatives. Both total assets of $26.3 billion and net margins of $1.4 billion were down from 1980. Net margins for all cooperatives dropped by 26 percent. Cooperatives are faced with making significant adjustments in response to changed financial conditions. For many, it is a matter of survival.

ACS ASSISTANCE TO COOPERATIVES

A major area of ACS assistance to cooperatives is in determining how they can best represent farmowners in the export market. Secretary Block has repeatedly encouraged cooperatives to expand the 8-percent level of grain exports they handle, calling farmer-owned cooperatives "one of the most important self-help vehicles for improving the farm economy."

The agency's goal is to assist farmers in organizing and developing economically strong cooperatives and thereby foster increased efficiency in the food industry and improve farm income.

FISCAL YEAR 1984 BUDGET

For fiscal year 1984, the Agricultural Cooperative Service is concentrating on problems of highest priority and greatest payoff for the cooperative community. Our budget request for 1984 is $3.7 million, which is essentially the same level requested in fiscal year 1983.

This concludes my opening statement.

Senator ABDNOR. Thank you, Dr. Torgerson.

Mr. McMILLAN. Next, Mr. Chairman, will be Mr. Fitzpatrick, Director, Office of Transportation. I suggest that each of the administrators present their statements before responding to questions.

Senator ABDNOR. We prefer it that way.

OFFICE OF TRANSPORTATION

Mr. FITZPATRICK. Thank you, Mr. Chairman. It is a pleasure to appear before your committee today to present the Office of Transportation budget for 1984.

[The prepared statement of Mr. Fitzpatrick follows:]

STATEMENT OF MARTIN F. FITZPATRICK, JR.

IT'S A PLEASURE TO APPEAR BEFORE THIS COMMITTEE TODAY TO PRESENT THE BUDGET AND PROGRAM NEEDS OF THE OFFICE OF TRANSPORTATION FOR FISCAL YEAR 1984. WITH ME TODAY ARE RICHARD G. WARREN, DEPUTY DIRECTOR OF THE OFFICE OF TRANSPORTATION AND ROBERT SCOTT, FINANCIAL MANAGEMENT DIVISION, AGRICULTURAL MARKETING SERVICE.

IN THE 5 YEARS THAT THE OFFICE OF TRANSPORTATION HAS BEEN IN EXISTENCE, OUR GOAL HAS BEEN TO PROVIDE A COHERENT AND UNIFIED APPROACH TO DEALING WITH THE MANY TRANSPORTATION ISSUES CONCERNING AGRICULTURE. I FEEL VERY CONFIDENT THAT THE DEPARTMENT HAS EXCEEDED THAT GOAL IN PROVIDING FARMERS, AGRIBUSINESS AND TRANSPORTATION FIRMS, EXPORTERS, DOMESTIC FOOD PROCESSORS, WHOLESALERS AND RETAILERS EFFECTIVE SOLUTIONS AND ALTERNATIVES TO THEIR PROBLEMS. THE OFFICE OF TRANSPORTATION CONTINUES TO DEVELOP AND IMPLEMENT AGRICULTURAL TRANSPORTATION POLICY AND TO OUTLINE THE MOST EFFECTIVE COURSE AVAILABLE TO THE DEPARTMENT IN DEALING WITH TRANSPORTATION ISSUES.

I AM PROUD OF OUR ACCOMPLISHMENTS IN THESE FEW YEARS AND I BELIEVE WE WILL CONTINUE TO PROVIDE VALUABLE SERVICE TO THE AGRICULTURE INDUSTRY.

THE OFFICE OF TRANSPORTATION HAS 5 MAJOR AREAS OF RESPONSIBILITY:

1. TO PROVIDE TECHNICAL INFORMATION TO CARRIERS AND SHIPPERS RELATED TO THE PARTICULAR NEEDS OF AGRICULTURAL AND RURAL AREAS FOR TRANSPORTATION;
2. TO PROVIDE POLICY OFFICIALS WITH THE INFORMATION NECESSARY TO MAKE DECISIONS WHICH TAKE INTO ACCOUNT THE INTERESTS OF AGRICULTURE AND RURAL COMMUNITIES;
3. TO PROVIDE ECONOMIC AND TECHNICAL RESEARCH;
4. TO PROVIDE TECHNICAL ASSISTANCE TO PRODUCERS, PRODUCER GROUPS AND RURAL COMMUNITIES TO HELP THEM SOLVE SPECIFIC TRANSPORT PROBLEMS; AND
5. TO COORDINATE PROGRAMS WITHIN USDA AFFECTING AGRICULTURAL AND RURAL AREA TRANSPORTATION.

I WOULD LIKE TO HIGHLIGHT SPECIFIC PROJECTS OR STUDIES THAT ARE THE RESULT OF OUR INVOLVEMENT IN THE AREAS I'VE JUST MENTIONED.

FY 1982 ACCOMPLISHMENTS

DUE TO THE EMERGING CONCERN OVER THE DETERIORATING CONDITION OF RURAL

ROADS AND BRIDGES, OT RESEARCHERS HAVE BEEN INVOLVED IN THE DEPARTMENT'S RURAL DEVELOPMENT PROGRAM. CONTINUING EFFORTS WILL FOCUS, IN PART, ON THE FINANCIAL AND OTHER ECONOMIC ASPECTS OF RURAL TRANSPORTATION PROBLEMS AND ON THE ABILITY OF LOCAL GOVERNMENTS TO DEAL MORE EFFECTIVELY WITH THESE ISSUES.

A REPORT ENTITLED "TRANSPORTING WATERMELONS IN BULK AND BINS BY TRUCK," SETS FORTH RESULTS OF A SERIES OF TEST SHIPMENTS OF WATERMELONS FROM FLORIDA TO NEW JERSEY TO COMPARE COSTS AND OTHER FACTORS CONCERNING ADVANTAGES AND DISADVANTAGES OF SHIPPING THE PRODUCT IN BULK AND IN PALLET BINS.

THE "EXPORT HANDBOOK FOR U.S. AGRICULTURAL PRODUCTS" PUBLISHED PRIMARILY FOR ASSISTANCE TO SMALL EXPORTERS OF AGRICULTURAL COMMODITIES, CONTAINS INFORMATION ON FINANCING AND DOCUMENTATION, AND TECHNICAL INFORMATION ON PACKAGING, EQUIPMENT, AND RECOMMENDED TRANSPORT TEMPERATURES. ALSO INCLUDED ARE EXPORT SPECIFICATIONS FOR 23 AGRICULTURAL COMMODITIES.

THE OFFICE OF TRANSPORTATION BEGAN ISSUING THE WORLD AGRICULTURAL TRANSPORTATION REPORT WHICH COVERS RELEVANT FOREIGN TRADE MATTERS, INFORMATION ABOUT PENDING TRANSPORTATION LEGISLATION, U.S. AND FOREIGN PORT DEVELOPMENTS, TECHNOLOGICAL DEVELOPMENTS AND OCEAN AS WELL AS AIR TRANSPORTATION ISSUES. AIR AND OCEAN CARRIERS AND INDIVIDUAL AGRICULTURAL SHIPPERS HAVE EXPRESSED STRONG INTEREST IN THIS REPORT.

OT RESPONDED TO HUNDREDS OF REQUESTS FOR TECHNICAL AND ECONOMIC ASSISTANCE IN THE DOMESTIC AND INTERNATIONAL TRANSPORTATION AREAS. LEGISLATIVE ISSUES RELATED TO PROPOSED HIGHWAY USER FEES, COAL SLURRY PIPELINES, AND A THREATENED RAIL STRIKE, PLUS REGULATORY REFORMS, EQUIPMENT SURPLUSES, CHANGING DEMAND PATTERNS, RAIL MERGERS, STORAGE LIMITATIONS, AND FLUCTUATING RATES WERE SOME OF THE ISSUES AND DEVELOPMENTS THAT REQUIRED THE ATTENTION OF OT'S PROFESSIONAL STAFF. IN ADDITION TO SHIPPERS AND RECEIVERS, REQUESTS FOR INFORMATION AND ADVICE WERE RECEIVED FROM CARRIERS, RESEARCHERS, FOREIGN GOVERNMENTS, EQUIPMENT MANUFACTURERS, INVESTORS, CONSULTANTS, TRADE ASSOCIATIONS AND OTHER BRANCHES OF GOVERNMENT.

AS PART OF THE UNITED STATES PEOPLE'S REPUBLIC OF CHINA (PRC) SCIENTIFIC AND TECHNICAL EXCHANGE AGREEMENT, A TWO-PERSON TEAM FROM THE OFFICE OF TRANSPORTATION VISITED THE PRC TO EXAMINE THE TRANSPORTATION AND RECEIVING CAPABILITIES OF SEVERAL KEY PORT AND INLAND CITIES IN CENTRAL AND NORTHEAST CHINA. THE DELEGATION ALSO MET WITH AGRICULTURAL COUNSELORS AND TRADE OFFICERS

IN THIS AREA TO DISCUSS TRANSPORTATION DEVELOPMENTS IN THIS PART OF THE WORLD. A REPORT ON THE TRIP WAS PREPARED AND DISTRIBUTED.

FY 1983 PROJECTS

RAIL AND MOTOR CARRIER DEREGULATION

IN AUGUST 1982, THE OFFICE OF TRANSPORTATION SUBMITTED TO THE CONGRESS A REPORT ASSESSING THE IMPACT ON AGRICULTURE OF RAIL AND MOTOR CARRIER DEREGULATION. THE REPORT INDICATED THAT THE EFFECTS OF MOTOR CARRIER DEREGULATION HAVE BEEN BENEFICIAL AND WHILE THERE ARE SOME LEGITIMATE CONCERNS ABOUT THE FREEDOMS GIVEN TO THE RAILROADS, THERE HAVE BEEN MANY POSITIVE EFFECTS. AS A FOLLOWUP TO THIS ASSESSMENT, OT PERSONNEL ARE ESTABLISHING A PROGRAM TO DETERMINE THE AVAILABILITY OF DATA WHICH COULD BE USED TO MONITOR, ON A REGULAR BASIS, THE IMPACTS OF SOME OF THE MAJOR CHANGES BROUGHT ON BY THE PASSAGE OF THE TWO ACTS. AMONG THE TOPICS BEING LOOKED AT ARE RAIL RATES, INCLUDING CONTRACT RATES, TRANSPORTATION EQUIPMENT AND SUPPLY (RAIL, TRUCK AND BARGE) AND THE EXPANSION OF THE COOPERATIVE EXEMPTION.

MEXICO

AS PART OF THE BILATERAL AGREEMENT FOR THE SUPPLY OF AGRICULTURAL PRODUCTS IN 1982-1983 BETWEEN THE UNITED STATES AND MEXICO, THE OFFICE OF TRANSPORTATION HAS A LEADING ROLE IN COORDINATING THE SHIPMENTS INTO MEXICO. OUR ROLE INCLUDES SOLVING PROBLEMS THAT OCCUR AT THE BORDER DUE TO PHYSICAL CONSTRAINTS OF THE FACILITIES, EXPEDITING THE INSPECTION AND CUSTOMS PROCESS AND ASSURING THE SPEEDY RETURN OF EMPTY CARS TO THE UNITED STATES. WE MEET REGULARLY WITH THE OFFICIALS OF CONASUPO, THE MEXICAN FOOD AGENCY, AND REPRESENTATIVES OF OTHER MEXICAN GOVERNMENT AGENCIES, INCLUDING THE NATIONAL RAILWAYS OF MEXICO. THIS EFFORT HAS RESULTED IN VAST IMPROVEMENTS IN THE EFFICIENCY OF THESE SHIPMENTS AND THEREBY BEEN BENEFICIAL TO BOTH THE MEXICAN AND U.S. INTERESTS.

EXPORT ASSISTANCE

AS PART OF ITS MISSION, THE OFFICE OF TRANSPORTATION HAS BEEN DEEPLY INVOLVED IN PROVIDING TRANSPORTATION ASSISTANCE TO EXPORTERS. TO PROVIDE MAXIMUM SUPPORT FOR A VIABLE EXPORT EXPANSION EFFORT, WE HAVE CARRIED OUT A NUMBER OF ACTIVITIES. THESE SERVICES INVOLVE:

1) EDUCATION THROUGH CONFERENCES AND WORKSHOPS WHEREIN THE OFFICE ARRANGES PROGRAMS ON KEY AGRICULTURAL EXPORT ISSUES, INCLUDING TRANSPORTATION,

TO EDUCATE ALL INTERESTS INVOLVED IN THE SHIPPING AND RECEIVING OF AGRICULTURAL PRODUCTS.

2) PUBLISHING AND DISTRIBUTING TECHNICAL AND GENERAL INFORMATION REPORTS COVERING TRANSPORTATION DEVELOPMENTS OR OPPORTUNITIES.

3) PROVIDING CONSULTATION AND GUIDANCE TO SHIPPERS ON A DAY-TO-DAY BASIS INFORMING THEM OF NEW SERVICES THAT THEY MAY BE UNAWARE OF AND AT THE SAME TIME PROVIDING THEM PROFESSIONAL GUIDANCE ON TRAFFIC MANAGEMENT AND RELATED PROBLEMS.

4) MONITORING VARIOUS MARITIME POLICIES DEALING WITH MARITIME REFORM BY PARTICIPATING IN TASK FORCES AND PROVIDING TRANSPORTATION INPUTS WITH RESPECT TO BILATERAL AGREEMENTS WITH SUCH COUNTRIES AS MEXICO, THE SOVIET UNION, CHINA, ETC.

5) ORIGINATING OR COOPERATING IN TECHNICAL DEVELOPMENTS FOR LOWER COST HUMANE HANDLING OF ANIMALS PROVIDING CERTAIN COST ANALYSIS AND THROUGH THE ANIMAL AIR TRANSPORTATION ASSOCIATION AND RELATED ORGANIZATIONS DEVELOPING A STRONG RAPPORT WITH SHIPPERS, CARRIERS, FORWARDERS, ETC., THAT ARE TRADING OR DEALING IN LIVESTOCK EXPORTS.

6) ANALYZING RATES ON BULK AND NON-BULK CARGOES TO FOREIGN MARKETS BY OCEAN OR AIR TRANSPORTATION MODES.

TO SUMMARIZE, THE OFFICE IS ATTEMPTING TO DEVELOP A THOROUGH TRANSPORTATION PROGRAM COVERING EVERY ASPECT OF FOREIGN MARKETING IN ORDER TO ASSIST THE AGRICULTURAL EXPORTERS IN MAKING DECISIONS WHICH COULD RESULT IN THEIR MORE EFFECTIVELY COMPETING FOR OVERSEAS MARKETS AND YET CLOSELY MONITORING ALL MARITIME AND AIR POLICY WHICH COULD ADVERSELY AFFECT OR THWART NEEDED ECONOMIES OF SCALE.

LIVESTOCK RAIL CAR

A STUDY IS UNDERWAY OF THE TECHNICAL AND ECONOMIC FEASIBILITY OF A LIVESTOCK RAILCAR EQUIPPED WITH ONBOARD FEEDING AND WATERING FACILITIES. THE RESEARCH IS BEING CONDUCTED IN COOPERATION WITH TEXAS A&M UNIVERSITY, THE ORTNER FREIGHT CAR COMPANY, PARTICIPATING RAIL CARRIERS, AND OTHER INDUSTRY REPRESENTATIVES. AN INITIAL TEST SHIPMENT FROM NEWPORT, TENNESSEE, TO AMARILLO, TEXAS, HAS JUST BEEN COMPLETED WITH DATA BEING COLLECTED PRE-AND POST-TRANSIT ON SUCH ASPECTS AS ANIMAL HEALTH, STRESS LEVELS, SHRINKAGE AND RECOVERY RATES, AND COSTS OF RAIL VERSUS TRUCK SHIPMENTS OVER SIMILAR ROUTES.

OCEAN STUDIES

THE FOREIGN AGRICULTURAL SERVICE AND THE OFFICE OF TRANSPORTATION ARE COOPERATING IN A SERIES OF STUDIES TO ASSURE AGRICULTURAL SHIPPERS HAVE ACCESS TO ADEQUATE AND REASONABLE OCEAN CARRIAGE. THE STUDIES FOCUS ON THE EFFICIENCY AND CAPACITY OF THE OCEAN CARRIAGE MARKET IN THE FUTURE AND ENCOMPASS CARGO PREFERENCE PROVISIONS CURRENTLY BEING CONSIDERED OR ENACTED BY FOREIGN GOVERNMENTS.

RURAL ROADS AND BRIDGES

IN AN EFFORT TO IMPROVE THE AWARENESS AND UNDERSTANDING OF RURAL TRANSPORTATION ISSUES ON THE PART OF TRANSPORTATION PLANNERS, PUBLIC OFFICIALS, AND RURAL LEADERS, OT HAS DEVELOPED A RURAL ROAD AND BRIDGE PROJECT. OBJECTIVES OF THE PROJECT INCLUDE DETERMINING THE STATUS OF RURAL ROADS AND BRIDGES TO MEET THE TRANSPORTATION DEMANDS OF RURAL COMMUNITIES, ASSESSING THE EXTENT TO WHICH RURAL OR AGRICULTURAL CONSIDERATIONS IMPACT STATE TRANSPORTATION PLANNING ACTIVITIES, AND EVALUATING THE TRADEOFFS TO BE FACED WITH MITIGATING RURAL ROAD AND BRIDGE PROBLEMS. CURRENT PROJECTS ARE IN THE STATES OF PENNSYLVANIA, VIRGINIA, MARYLAND, AND WEST VIRGINIA.

CRYOGENIC RAIL CAR

THE OFFICE OF TRANSPORTATION IS COOPERATING WITH THE AMERICAN FROZEN FOOD INSTITUTE (AFFI) AND THE INTERNATIONAL ASSOCIATION OF REFRIGERATED WAREHOUSES (IARW) IN THE DESIGN AND DEVELOPMENT OF CRYOGENIC RAILCAR FOR THE LONG-HAUL MOVEMENT OF FROZEN FOODS. THE CAR, UTILIZING LIQUID CARBON DIOXIDE TO PRODUCE THE NECESSARY LOW TEMPERATURES, IS DESIGNED TO SERVE AS AN ALTERNATE TO THE MECHANICALLY REFRIGERATED RAILCARS, SINCE THE CURRENT POLICY OF THE U.S. RAILCARS IS NOT TO REPLACE THESE LATTER CARS AS THEY BECOME UNSERVICEABLE. CROSS-COUNTRY TEST SHIPMENTS FROM THE PACIFIC NORTHWEST TO SOUTHEAST MARKETS BEGAN FEBRUARY 1, 1983.

INTERNATIONAL AGREEMENT ON TRANSPORT OF PERISHABLES (ATP)

THE INTERNATIONAL AGREEMENT ON TRANSPORT OF PERISHABLES (ATP) HAS BECOME THE LAW OF THE LAND. IMPLEMENTATION OF THE ATP IS ASSIGNED TO THE SECRETARY OF AGRICULTURE, WHO IN TURN HAS DELEGATED THIS ACTIVITY TO THE OFFICE OF TRANSPORTATION. THE AGREEMENT REQUIRES THAT ALL TRANSPORT EQUIPMENT USED TO MOVE PERISHABLES INTERCOUNTRY (WITHIN EUROPE) BE INSPECTED, TESTED, AND CERTIFIED TO SPECIFIC STANDARDS. U.S. OCEAN-GOING CONTAINERS OPERATING IN

EUROPE COME UNDER THE AGREEMENT. OT IS IN THE PROCESS OF CERTIFYING TESTING STATIONS IN THE UNITED STATES, AND WILL MONITOR THE ACTUAL TESTING TO SEE THAT IT MEETS THE REQUIREMENTS OF THE AGREEMENT.

EVEN WITH THESE ACCOMPLISHMENTS AND CURRENT PROJECTS, MANY TRANSPORTATION PROBLEMS AFFECTING AGRICULTURE AND RURAL DEVELOPMENT REMAIN--HIGHWAY USER FEES, RURAL ROADS AND BRIDGES, WATERWAY USER FEES, TRUCK STRIKES, TO NAME JUST A FEW.

FY 1984 BUDGET REQUEST

THE OFFICE OF TRANSPORTATION IS REQUESTING AN APPROPRIATION OF $2,523,000 FOR FISCAL YEAR 1984 WHICH IS AN INCREASE OF $107,000 FROM FISCAL YEAR 1983 APPROPRIATION. THESE ADDITIONAL RESOURCES WILL ENABLE US TO CONTINUE TO PROVIDE AN ADEQUATE RESOURCE BASE TO EFFECTIVELY AND EFFICIENTLY FULFILL THE DEPARTMENT'S TRANSPORTATION RESPONSIBILITIES IN 1984.

FURTHER, WE WILL EXPAND OUR RESOURCES TO DEVELOP ECONOMIC AND POLICY ANALYSIS ON THE IMPACT OF RURAL ROADS AND BRIDGES INFRASTRUCTURE UPON AGRICULTURE; DEVELOP EDUCATIONAL PROGRAMS TO AID AGRICULTURAL SHIPPERS IN RAIL AND MOTOR CARRIER COST ANALYSIS; CONDUCT FURTHER RESEARCH TO IMPROVE MOVEMENT OF LIVESTOCK BY LAND, SEA AND AIR; ESTABLISH ON-LINE STATISTICAL DATA AND IMPLEMENT MEANS OF PUBLIC ACCESS; ASSIST IN THE EXPANSION OF EXPORT OPPORTUNITIES THROUGH ADVISING FOREIGN COUNTRIES IN DEVELOPING TRANSPORTATION FACILITIES; PROVIDE DAILY TRANSPORTATION TECHNICAL INFORMATION AND GUIDANCE TO INTERESTED PARTIES; AND MONITOR RAIL AND MOTOR CARRIER PERFORMANCE IN SERVING AGRICULTURE.

THESE EXPANDED EFFORTS ARE ACHIEVABLE DUE TO REALLOCATION OF MANPOWER AND OUR TEAM EFFORTS IN PROVIDING EFFECTIVE AND EFFICIENT RESULTS TO TRANSPORTATION ISSUES. WE WILL SPEND LESS TIME ON REGULATORY CASES, COMMODITY SPECIFIC STUDIES AND ANALYZING PROBLEMS THAT ARE UNIQUE TO PARTICULAR LOCALITIES.

MR. CHAIRMAN, THIS CONCLUDES MY REMARKS. I WOULD BE HAPPY TO RESPOND TO ANY QUESTIONS THE COMMITTEE MAY HAVE.

AGENCY MISSIONS

Mr. FITZPATRICK. The Office of Transportation's goal has been to provide a coherent and unified approach to dealing with the many transportation issues concerning agriculture. As a result, the Department of Agriculture has helped the agricultural community to solve many of its transportation problems through the Office of Transportation. The Department of Agriculture continues to strongly advocate the agricultural perspective in the administration's development of transportation policy.

I am proud of the efforts that my staff has made, and I believe that all of us in USDA have contributed and will continue to provide a valuable service to the agricultural industry in the area of transportation.

FIVE MAJOR AREAS OF RESPONSIBILITY

I would like to mention the five major areas of responsibility of the Office of Transportation. Number one is to provide technical information to carriers and shippers related to the particular needs of agricultural and rural areas for transportation. The second is to provide policy officials with the information necessary to make decisions which take into account the interests of agricultural and rural communities. The third is to provide economic and technical research. Fourth is to provide technical assistance to producers, producer groups, and rural communities to help them solve specific transport problems. And last, to coordinate programs within USDA affecting agricultural and rural area transportation.

SPECIFIC PROGRAMS

I would just like to mention briefly a few specific programs that we have conducted during this year that, I think, are most important to this committee and to you, Mr. Chairman.

RURAL ROADS AND BRIDGES

First off, we have seen a great problem in the rural communities with the deteriorating condition of rural roads and bridges. OT researchers have been involved in the rural development program, and continuing efforts will focus on the economic aspects of rural transportation problems and the ability of local governments to deal effectively with these issues.

EXPORTS

In the area of exports, the Office of Transportation feels that it is very important to complement the Secretary's program for export development. In doing so, we have provided the Export Handbook for U.S. Agricultural Products. That was published primarily for assistance to small exporters of agricultural commodities. It contains information on financing and documentation, technical information on packaging and equipment, and recommendations on such things as transport temperatures, and so forth.

WORLD AGRICULTURAL TRANSPORTATION REPORT

The Office of Transportation also began issuing the World Agricultural Transportation Report which covers relevant foreign trade matters, information about pending transportation legislation, and U.S. and foreign port developments.

TECHNICAL AND ECONOMIC ASSISTANCE

During 1983, the Office of Transportation responded to hundreds of requests for technical and economic assistance in the domestic and international transportation areas.

RAIL AND MOTOR CARRIER DEREGULATION

Among our domestic efforts in the Office of Transportation, one major program I know which you have had a particular interest in, Mr. Chairman, is in the rail and motor carrier deregulation assessment. In August 1982, the Office of Transportation submitted to Congress a report assessing the impact on agriculture of rail and motor carrier deregulation efforts of 1980. The report indicated that the effects of motor carrier deregulation have been beneficial, and while there are some legitimate concerns about the freedoms given to railroads, there have been many positive effects. As a followup, OT personnel are establishing a program to determine the availability of data which could be used to monitor, on a regular basis, the impacts of some of the major changes brought on by the passage of these two regulatory acts. Among the topics being looked at are rail rates, including contract rates, transportation equipment and supply, and the expansion of the cooperative exemption for agriculture.

BILATERAL AGREEMENT BETWEEN MEXICO AND THE UNITED STATES

Another area we are focusing on heavily in the Office of Transportation is exports. We have been involved as part of the bilateral agreement for the supply of agricultural products in 1982 and 1983 between the United States and Mexico. We have played a leading role in coordinating the shipments of agricultural products, particularly grain, into Mexico. Our role includes solving problems that occur at the border due to physical constraints of the facilities, expediting the inspection and customs process, and assuring a speedy return of empty cars to the United States. We meet regularly with the officials of Conasupo, which is the Mexican food agency, and other representatives of other Mexican Government agencies, including the National Railways of Mexico. This has resulted in vast improvements in the efficiency of these shipments and thereby has been beneficial to both the Mexican and U.S. interests.

FISCAL YEAR 1984 BUDGET REQUEST

I would like now, Mr. Chairman, to quickly summarize our budget request for this year. If you have any more questions about the program, I will be glad to answer those.

The Office of Transportation for fiscal year 1984 is requesting an appropriation of $2,523,000, which is an increase of $107,000 over fiscal year 1983. These additional resources will enable us to continue to provide an adequate resource base to effectively and efficiently fulfill the Department's transportation responsibilities in 1984.

Further, we will expand our resources to develop economic and policy analysis on the impact of rural roads and bridges infrastructure upon agriculture. We will develop educational programs to aid agricultural shippers in rail and motor carrier cost analysis, conduct further research to improve movement of livestock by land, sea, and air, establish on-line statistical data and implement means of public access. We will assist in the expansion of export opportunities through advising foreign countries in developing transportation facilities. We will provide daily transportation technical information and guidance to interested parties, that is, producers and agribusinessmen, and monitor rail and motor carrier performance in serving agriculture.

Mr. Chairman, this concludes my remarks. If there are any questions, I will be glad to answer any you might have.

Senator ABDNOR. Thank you, Mr. Fitzpatrick.

AGRICULTURAL MARKETING SERVICE

Mr. MCMILLAN. Next, Mr. Chairman, I would like to present to you Mr. Vern Highley, Administrator of the Agricultural Marketing Service.

Mr. HIGHLEY. Thank you, Mr. Chairman.

[The prepared statement of Mr. Highley follows:]

STATEMENT OF VERN F. HIGHLEY

Mr. Chairman and Members of the Committee, it is an honor to appear here today to discuss the programs of the Agricultural Marketing Service (AMS) and our FY 1984 budget proposal. Before I proceed, let me introduce my colleagues, William T. Manley, Deputy Administrator, Marketing Programs; Eddie F. Kimbrell, Deputy Administrator, Commodity Services; Irving W. Thomas, Deputy Administrator, Management; and John T. Reeves, Director of our Financial Management Division.

Role of AMS

This is my first appearance before this Committee and I appreciate the opportunity to discuss my view of the role of AMS. The most important contribution of AMS to agriculture is the reduction of risk in the marketing of farm products. The farmer's risk factor is among the highest of any sector of the economy. Too much rain can delay planting, rot the seed or stunt the plants. Too little rain can result in poor germination or stunted growth. Hail storms can destroy crops completely as happened this past year in west Texas. Large crops lower prices and reduce the farmer's income. While there is not much we can do to reduce these natural elements of risk, AMS' programs can and do significantly reduce marketing risks.

Commodity Grading

Our commodity grading programs provide both the buyer and the seller with an unbiased product quality evaluation. This enables both the farmer and the buyer to conduct business with the assurance that fair value will be both given and received. In FY 1982 we graded or accepted 15 million bales of cotton, 2.2 billion pounds of tobacco, 13 billion pounds of poultry products, 25.1 billion eggs, 14.5 billion pounds of meat, 208 million pounds of livestock, 79.1 billion pounds of fruits and vegetables, 6 million pounds of rosin and turpentine, and 4 billion pounds of dairy products. Our programs have a direct impact on the $587 billion business which U.S. agriculture has become.

Market News

In order for the farmer to make full use of the grading information we provide, he must also have unbiased, accurate, and timely information on market conditions throughout the country, and increasingly, in international markets. Our market news program provides the farmer with the information necessary for successfully reducing marketing risks. Both Federal and state reporters gather information on market conditions and disseminate it in the time frame and in the form most useful to farmers. With this information the farmer can determine when and where to sell his product to maximize his profits.

U.S. Warehouse Examination

Our warehouse examination program reduces marketing risks by assuring lenders that the commodities represented by a U.S. warehouse receipt are adequately protected from loss. This risk reduction makes it possible for farmers to borrow against commodities stored in licensed warehouses using the commodities as collateral, and at the same time reduces the risk premium built into the interest rate of the loan.

PACA

Our Perishable Agricultural Commodities Act program reduces risks to the agricultural marketing chain by promoting fair trade practices in the marketplace. It deals with industry payment practices, contractual disputes, and misrepresentation of fruit and vegetable quality. These efforts have a financial impact throughout the food marketing chain and influence the final price paid by the consumer. When disputes arise, AMS institutes the necessary proceedings to resolve them. We received over 23,000 complaints last year. While most were settled informally, we also worked through formal orders and amicable settlements resulting in over

$15 million in reparation payments. Even the ability to deal informally with most disputes provides the confidence between buyer and seller that is so necessary to reduce their sense of marketing risk.

Low Visibility of AMS Programs

We have other programs working to reduce marketing risk, such as the Federal Seed Act, the Plant Variety Protection Act, and the Export Fruit Acts, to name a few. Our programs give everyone in the marketing chain a fair shake. We help farmers know the quality of the product they are selling and help them keep a finger on the pulse of the marketplace. We help buyers and sellers know what is happening and enable them to deal with markets throughout the country with assurance of recourse if they do not receive fair treatment. We are, in effect, a third party referee in the marketplace, and as such, we are not dictating anything. Rather, we are a service agency that is sometimes unfairly tagged as regulatory, when, in fact, our services as referee make possible reduced costs for all levels of the marketing process.

Egg Products Inspection

In addition to our marketing programs, we have a very important consumer health risk reduction program. Our egg products inspection program examined for wholesomeness over 1.2 billion pounds of egg products in FY 1982, of which 59 million pounds were rejected as unfit for human consumption.

Marketing Development Efforts

AMS also has a modest but strong marketing development effort, including supporting industry research and promotion programs. These programs provide expanded market opportunities funded by direct assessments at the request of the industry involved. Our role is to assure that, while emphasis is placed on market improvement programs, the marketability of other agricultural products is not impaired.

Section 32

Another important AMS activity is the Section 32 surplus removal program. AMS is appropriated an amount equal to 30 percent of customs receipts for purchasing commodities for domestic feeding programs and for removing surplus commodities from regular marketing channels. Approximately 80 percent of this amount is transferred to the Food and Nutrition Service and the Commerce Department. The remainder is used to fund surplus removal projects, to maintain an emergency reserve fund, and currently to fund the work the AMS does to monitor marketing agreement and order programs. Our ability to remove surplus commodities on an emergency basis is particularly vital in maintaining a strong agricultural community during periods of depressed prices and in meeting the increasing needs of U.S. food and nutrition programs.

Marketing Orders

Federal marketing orders are widely used as a means of stabilizing farmers' incomes. They provide another thrust toward risk reduction for farmers. There are currently 48 Federal marketing agreement and order programs for fruits and vegetables and related crops, covering 33 commodities in 37 states, and 46 dairy order programs covering 80 percent of the Grade A milk marketed in the U.S.

Each program is industry designed and supported. Each industry requests the specific type and scope of program it wants, within the authority of the Agricultural Marketing Agreement Act. Each industry pays for the bulk of program costs. For example, total assessments paid by industry for fruit and vegetable marketing orders average about $10 million annually whereas the USDA's costs for supervision are about $2 million. Every industry which has developed a marketing order program has had to consider a tradeoff between the degree of regulation and expected benefits. The industry essentially selects its own cost-benefit alternative, adopts the program through a referendum process, and pays the costs of the alternative selected.

At times the industry orientation in the areas of design, approval, and financing has been a detriment to acceptance of these programs. During the Seventies, when the term double-digit inflation became meaningful, these programs were reviewed repeatedly by a variety of agencies. However, the intense scrutiny of the Seventies brought forth no basis for substantive change. Instead, industry support held, and farmers voted new marketing order programs into effect.

Evaluation of Market Orders

As the decade of the Eighties began, it became obvious that inflation and "overregulation" were burdensome. These factors provided the basis for renewed examination of marketing orders. The President's Task Force on Regulatory Relief identified fruit and vegetable marketing orders among twenty-seven Federal regulatory programs to be evaluated, and in mid-1981 Secretary Block appointed a team to conduct a formal economic study.

The team's report, issued in November 1981, did not produce any unexpected findings. It pointed out that marketing orders have potential for increasing economic efficiency by stabilizing returns to growers, by providing quality assurance to buyers, and by promoting other constructive activities such as research and container standardization. The report also identified potential for misallocation of resources and resulting economic inefficiencies.

On the basis of this report and additional policy evaluation, Secretary Block, in January 1982, voiced his personal support of these programs and issued formal policy Guidelines for their administration. The Guidelines were consistent with the Administration's goals of reducing Federal regulation, achieving economic stability, and encouraging the concept of self-help programs.

We are now administering these programs under the Secretary's Guidelines as well as the basic statute. Both the programs and our approach to their administration have strong industry support. We consider marketing orders to be among the most useful and versatile tools available for assisting the American farmer and strongly endorse their self-help aspect. We are receiving requests from farmers for new programs and are ready to work with them.

FY 1984 Budget Request

This completes my brief overview of AMS programs. I would like at this time to briefly discuss our FY 1984 budget request.

AMS is first and foremost a service-oriented agency. AMS is in the forefront of the effort to make Government programs meet the most strenuous of all tests -- the market test -- by offering our services to users and letting their payment for the services reflect the value of our programs to the marketplace. Currently, seventy-two percent of AMS funding comes from user fees. Because of this we must maintain a high quality of service with a cost effective delivery system. Services such as printed market news reports, commodity grading and acceptance, U.S. Warehouse and PACA licenses, and research and promotion efforts are available upon request on a fee-for-service basis. Under the sharp eye of cost-conscious industries, the pressure to reduce costs and to improve service delivery is intense. There is no doubt in my mind that our programs are some of the most efficiently run in the Government. However, the benefits of switching program funds from appropriation to user fee do not just accrue to the Government but to the agricultural community as well. User funding gives AMS the flexibility to expand or tailor our services to meet the needs of an ever-changing industry.

With enactment of our legislative proposals, the funds available in FY 1984 to carry out AMS activities will reach $143,984,000 which is a net reduction of $3,617,000 from the level of $147,601,000 in FY 1983. This represents funds from all sources, including appropriations, user fees, trust funds, transfers and reimbursements. It does not include the Section 32 commodity purchase funds of $365,400,000. I would like to briefly discuss the components of our FY 1984 proposed budget.

Appropriation Request

We are requesting an appropriation of $28,925,000 for fiscal year 1984, which is a net reduction of $12,713,000 from the fiscal year 1983 adjusted appropriation of $41,638,000. $5,067,000 of this decrease does not require legislation. The specific reductions are as follows:

1. Marketing Services

The $28,925,000 appropriation request for the marketing services fund represents a reduction of $5,873,000 from our adjusted 1983 budget of $34,798,000. $4,067,000 of the decrease does not require legislation. The changes which do not require legislation are as follows:

- a decrease in appropriations of $2,251,000 for cotton grading and $355,000 for cotton warehouse examination to switch these programs to a full user fee basis. All commodity producers will then be on an equal footing since all grading and examination activities will be on a full user fee basis.

- a decrease of $1,543,000 to eliminate the wholesale market development program. Our work in the development of major wholesale markets has largely been completed and made available to state and local governments and to industry. The technical information necessary to update obsolete facilities and practices can be used by private consultants for specific projects. Therefore, we feel that Federal assistance is no longer necessary.

- an increase of $82,000 to cover the Agency's share of the new 1.3

percent Federal employee Medicare contribution and to fund the increased salary costs associated with the raising of the Federal pay cap.

Those proposed changes which require legislation are as follows:

- a $1,506,000 reduction associated with proposed legislation that would permit the Department to conduct discretionary inspection of some egg processing operations and reduce the number of shell egg surveillance visits from four to one per year.

- a decrease of $300,000 associated with legislation that would allow us to charge fees for printed cotton and tobacco market news reports in order to ensure equal treatment for all commodity groups. Currently, fees are charged for subscribers to dairy, poultry, meat, livestock, egg, grain, naval stores, and fruit and vegetable printed reports.

- an amendment to the Plant Variety Protection Act to enable us to maintain the program on a full user fee basis for certificate applications received after fiscal year 1983. Currently, partial fees are collected and deposited to the general account in the Treasury and are not available for the program. We are proposing no reduction in appropriations for this program at this time. We estimate there will be approximately a thirty month application backlog when this fee proposal is implemented, and work on backlogged certificates must be carried out under appropriated funding. When the backlog is cleared, we will no longer need this appropriation and at that time we will propose its elimination.

- legislation that will enable us to monitor and support wool research and promotion activities on a user fee basis in order to fund our administrative efforts for this program in the same way as other research and promotion programs. Appropriations for this activity were deleted from the FY 1983 budget.

2. Payments to States

Our budget request proposes the elimination of the $1 million Payments to States program. We feel that it is more appropriate that State Departments of Agriculture conduct efforts aimed at resolving local marketing problems.

3. Marketing Agreements and Orders

Legislation has been submitted which would enable us to place the marketing agreements and orders program on a fee-for-service basis. In our extensive reexamination of the marketing order system in the past year, the benefits to the industry from the program were identifiable and the extension of the user fee concept to this program is warranted. Currently this program is funded from Section 32.

Section 32 Request

In the Section 32 program, I am proposing $365.4 million for commodity purchases. This is a reduction of $50 million in funds which were used for emergency purchases in FY 1983 but are not anticipated in FY 1984. Should a need for emergency purchases occur, we will still have $225 million in reserve funds for unforeseen surplus removal projects.

Budget Adjustments under Current Law and Proposed Legislation

In summary, under current law the AMS budget request for FY 1984 will be reduced by $5,067,000 in appropriations with $2,606,000 of this amount shifted to user fees. With enactment of our entire legislative package, AMS appropriations will be further reduced by $7,646,000 with an additional $6,490,000 shifted to user fees. The net result of these actions will be a reduction of $12,713,000 in appropriations and an increase of $9,096,000 in our user fee programs.

The proportion of AMS funds derived from user fees will increase from 72 percent in FY 1983 to 75 percent in FY 1984 under current law, and to 80 percent when our proposed legislative package is enacted.

This concludes my statement, Mr. Chairman. I would be happy to respond at this time to any questions which you may have.

1984 AMS BUDGET PROPOSAL

Mr. HIGHLEY. Mr. Chairman, I am honored to be here on behalf of the Agricultural Marketing Service. You gave a fine summary on the mission of our agency, and I don't have much to add except only that about one-fourth of the AMS operating budget comes from appropriated funds. The balance, well over $100 million, comes from the sale of our services to farmers and agribusiness clientele across the country. With that, I would like to go to our 1984 budget request.

We are proposing a reduction of about $12.7 million from appropriated funds. About $9.1 million of that would be shifted to user fees, leaving a net reduction of $3.6 million in our programs. Some of that is contingent upon proposed legislation the Department has sent forward.

With enactment of our legislative proposals, funds available in fiscal year 1984 from appropriations and user fees to carry out our activities will total $144 million, a net reduction of $4 million from the level of $148 million in fiscal year 1983. This total does not include the section 32 commodity purchase funds of about $365 million.

We are requesting an appropriation of approximately $28.9 million for fiscal year 1984, a net reduction of $12.7 million from the 1983 adjusted appropriations of $41.6 million. No changes in legislation are required for $5.1 million of this decrease.

We anticipate a decrease in appropriations of $2.3 million for cotton grading and $355,000 for cotton warehouse examination to switch these programs to a full user-fee basis. Also, a decrease of $1.5 million to eliminate the wholesale market development program, a decrease of $1 million to eliminate the Federal-State marketing improvement program, and an increase of $82,000 to cover the agency's share of the new 1.3 percent Federal employee medicare contribution and to fund the increased salary costs associated with the raising of the Federal pay cap.

LEGISLATIVE PROPOSALS

Those proposed changes which require legislation are a $1.5 million reduction associated with proposed legislation permitting the Department to conduct discretionary inspection of some egg processing operations and reduce the number of shell egg surveillance visits from four to one a year; a decrease of $300,000 that would allow us to charge fees for printed cotton and tobacco market news reports; an amendment to the Plant Variety Protection Act to enable us to operate the program on a full user-fee basis for certificate applications received after fiscal year 1983; and legislation that will enable us to monitor and support wool research and promotion activities on a user-fee basis so that we can be reimbursed for administering this program as we are for all other research and promotion programs that we administer.

PAYMENTS TO STATES

Our budget request proposes the elimination of the $1 million payments to States program. We feel it is more appropriate that State departments of agriculture conduct programs aimed at solving local marketing problems.

MARKETING ORDERS

Legislation has been submitted that would enable us to place the marketing agreements and orders program on a fee-for-service basis. In our extensive examination of the marketing order system in the past year, the benefits to the industry from the program were identifiable, and the extension of the user fee program is warranted. Currently, this program is funded from section 32.

SECTION 32

In the section 32 program, I am proposing $365.4 million for commodity purchases. This is a reduction of about $50 million in funds which were used for emergency purchases in fiscal year 1983 but are not anticipated in fiscal year 1984. Should a need for emergency purchases occur, we will still have about $225 million in reserve funds for unforeseen surplus removal projects.

1984 REQUEST SUMMARY

In summary, sir, under current law the AMS budget request for fiscal year 1984 will be reduced by about $5.1 million in appropriations with $2.6 million of this amount shifted to user fees. With enactment of our entire legislative package, our appropriations will be further reduced by $7.6 million with an additional $6.5 million shifted to user fees. The result of these actions will be a reduction of $12.7 million in appropriations with $9.1 million shifted to user fees and a net reduction in program level of $3.6 million.

The proportion of AMS funds derived from user fees will increase from 72 percent in fiscal 1983 to 75 percent in 1984 under current law, and to 80 percent when our proposed legislative package is enacted.

That is a brief summary of my remarks, Mr. Chairman. I will be glad to answer questions.

Senator ABDNOR. Thank you.

PACKERS AND STOCKYARDS ADMINISTRATION

Mr. MCMILLAN. Finally, Mr. Chairman, is Mr. Bill Jones, who is the Administrator of the Packers and Stockyards Administration.

[The prepared statement of Mr. Jones follows:]

STATEMENT OF B. H. (BILL) JONES

I appreciate the opportunity to appear before this Committee to discuss the programs of the Packers and Stockyards Administration (P&SA) and the Agency's budget request for fiscal year 1984. First, may I introduce my associates, James L. Smith, Deputy Administrator; Calvin W. Watkins, Assistant to the Administrator; and Robert J. Scott, Budget Analyst.

As the Committee knows, P&SA is responsible for enforcement of the Packers and Stockyards Act of 1921, as amended. The primary objective of the Act is to assure the integrity of the livestock, meat, and poultry markets and the market place. This includes fostering fair and open competition and guarding against deceptive and fraudulent practices which affect the movement and price of meat animals and the products therefrom.

The work of the Agency is also aimed at protecting consumers and members of the livestock, meat and poultry industries against unfair business practices which can unduly affect meat and poultry distribution and prices.

It is readily apparent from these statements that the Agency is primarily involved in investigative and law enforcement work. Also, much of what the Agency does is connected with what can be properly classified as white-collar crime.

The Committee is aware that stronger safeguards to protect cash sellers of livestock against financial losses were provided by amendments to the Act in 1976. The 1976 amendments to the Act also moved the requirement for prompt payment for livestock by market agencies, dealers and packers from a regulation into the Act itself. In summary, the following are the major provisions of the 1976 amendments to the Act requiring resources of the Agency on a continuing basis.

-- The Secretary is authorized to require packers purchasing more than $500,000 worth of livestock annually to obtain bonds to protect sellers of livestock.

- Packers, market agencies, and dealers purchasing livestock are required to pay for livestock by the close of the next business day unless the buyer and seller expressly agree to an exception to this requirement in writing.
- Packers purchasing more than $500,000 worth of livestock annually and failing to pay promptly are required to establish a statutory trust for the benefit of cash sellers of livestock; the seller is required to notify the packer and P&SA of his claim within specified time periods.
- Jurisdiction of the statute was extended to include wholesale meat brokers, dealers and distributors, in addition to those who slaughter livestock, or manufacture or prepare meat or meat food product.

SCOPE OF OPERATIONS

Currently, there are 1,791 stockyards subject to the Act; 11,077 persons and firms are registered as market agencies and dealers. There are approximately 6,500 slaughtering and processing packers and 500 poultry operators subject to the Act. There is an indeterminable number of meat distributors, brokers, and dealers not included in the above figures.

The value of livestock, poultry, and meat subject to the Act is in excess of $60 billion each year.

SUMMARY OF AGENCY ACTIVITY

The programs of the Packers and Stockyards Administration are divided into two major areas: Livestock Marketing and Packer and Poultry programs.

The livestock marketing activity is concerned with:

- competition and marketing practices;
- payment protection; and

- -- scales and weighing

The packer and poultry activity is concerned with:

- -- competition and trade practices in packer livestock procurement;
- -- meat and poultry marketing; and
- -- compliance with other requirements of the Act in the meat packing and poultry industries.

The focus of the livestock marketing program continues to be on major trade practices, false weighing, and fraudulent schemes. Because of changes in marketing patterns, more resources are being devoted to direct marketing investigations. This change in emphasis, in recent years, is designed to put the focus where the marketing volume and the problems exist.

The primary responsibilities of the packer and poultry program are to ensure open and free competition in the marketing of livestock, meat and poultry and to provide prompt payment to producers. Packer and poultry activities continue to provide comprehensive payment protection for sellers of livestock to packers. This protection consists of provisions for prompt payment, bonding, solvency, and a statutory trust. This has helped substantially in reducing losses to producers who sell livestock on a cash basis to slaughtering packers. Special reports and actual on-site audits have been utilized to check on packers where information has been received indicating possible weak financial conditions or the possibility of a packer's inability to pay for livestock. P&SA has continued to give high priority to payment protection.

Packer Trust

Since the 1976 amendments to the P&S Act, 55 packers have paid cash sellers of livestock $17 million under the statutory trust provision. During fiscal year 1982, $4 million was paid to cash sellers. Of special significance is that of the 13 cases settled during fiscal year 1982, 10 were settled informally for $3.4 million. The Supreme Court recently refused to review a decision by the Fifth Circuit Court of Appeals regarding the statutory trust provision. The decision was favorable to the unpaid cash sellers and upheld the legislative intent of the trust provision.

As livestock, meat and poultry production and marketing continue to change, Agency programs and operations are reviewed and adjusted to meet the needs of the industry within the confines of the statutory authority. The move on the part of P&SA to expedite its regulatory review process is evidence of its sensitivity to change within the livestock, meat, and poultry markets.

The enforcement of the Act and efficiency of program activities will be improved through automation this year. The jurisdictional, registration, and bonding programs will be the first to be automated, along with internal management systems. Other programs of the Agency will also be automated as quickly as time and resources allow.

MEAT MARKETING

Investigations of commercial bribery and illegal brokerage in the marketing of meat will continue to receive high priority. Firms making payoffs to meat buyers have captive accounts and enjoy a favored position over other suppliers who compete on the basis of services and/or quality. Bribery payments are an illegal marketing cost resulting in either lower prices to livestock producers or higher prices to consumers or both.

The nature of these practices and their impact on the industry have required the Agency to devote considerable attention to such problems. Cases of this nature often result in grand jury investigations. Several investigations have been conducted during the past year resulting in sanctions against the violators. P&SA is working closely with other Government agencies such as the FBI, the IRS and the Postal Inspection Service in investigating such practices.

PRIORITIES IN LIVESTOCK MARKETING

Major emphasis is given to investigating fraudulent marketing practices. This emphasis will be continued in work planning and allocation of the Agency's resources. Fraudulent practices which occur in direct marketing are a major concern to the Agency and the livestock industry. These include false weighing, weight and price manipulation, switching of livestock, misrepresentation as to the source, origin, and health of livestock, and custodial account violations.

One of the major priorities in livestock marketing is to foster and maintain fair and effective competition in the industry. Any practice, agreement, or understanding which excludes a potential buyer from bidding in open competition either in direct trading or at public markets is a restraint on competition. Investigations often disclose practices which result in the lessening of competition for producers' livestock. These include apportioning of territories, price agreements or arrangements not to compete, and payoffs or kickbacks to buyers. Any information which indicates that a restriction of competition may exist will continue to be investigated on a priority basis.

Payment protection will continue to receive high priority within P&SA. It is vital to the integrity of the industry for livestock producers to receive payment for their livestock when it is marketed. The major emphasis will be directed at serious insolvencies, failure to pay, prompt payment, and payment fraud.

POULTRY MARKETING

In the past, the principal activity of the poultry program has been to monitor the contractual relationship between integrators and contract growers for compliance with regulations administered by P&SA. Also, the Agency has given attention to timely and accurate weighing and adequate accounting.

During fiscal year 1982, as a result of grower complaints, the Agency undertook a major financial investigation of a large integrated broiler processor. On November 7, the firm filed Chapter 11 bankruptcy owing growers over $10 million. The Agency's investigative work has put it in a position to assist the bankruptcy court.

A large turkey processor in the Midwest also filed for Chapter 11 bankruptcy owing turkey growers over $1 million.

MARKETING STUDIES

In fiscal year 1982, P&SA completed two major studies dealing with livestock and meat marketing: "Boxed Beef Production, Pricing and Distribution" and "Geographic Markets and Prices for Fed Steers and Heifers." The study on geographic markets examined industry structure and the free working of competitive forces in the two largest regional fed cattle markets of the Nation -- the High Plains and Nebraska-Iowa. This study revealed that markets were behaving competitively during the period studied (April 1979 - March 1980). Average prices were influenced by overall market factors rather than by local supply and demand conditions only.

The study on boxed beef was initiated because of the lack of available data on boxed beef production and distribution. One important finding of this study was that from a small beginning in the 1960's, boxed beef at the slaughter and fabricating levels now accounts for over 49 percent of total federally inspected steer and heifer slaughter.

The Agency continues to monitor the price movements of livestock and fresh meat in the cash market. Liaison is maintained with the Commodity Futures Trading Commission to determine whether activity in the cash market for livestock or meat may be used to influence or manipulate prices in the futures market.

GRADE AND WEIGHT

Producer groups continue to express concern over grade and yield programs in the procurement of hogs. Differences in the three basic value determining factors used by the major hog slaughterers may not readily be understood by hog producers. P&SA is presently conducting a comprehensive review of grade and weight hog procurement by major hog slaughtering plants. This study is due to be completed in fiscal year 1983.

There has also been a significant increase in the purchase of slaughter cows on a grade and yield basis in the Southwest. The Agency is in the process of reviewing slaughter cow procurement practices to assure compliance with the Packers and Stockyards Act.

FISCAL YEAR 1984 BUDGET REQUEST

The total budget request of the Packers and Stockyards Administration for fiscal year 1984 is $9,013,000; an increase of $179,000 from our fiscal year 1983 budget. The requested increase is needed to restore pay costs and FICA absorbed in FY 1983.

Mr. Chairman, I thank you for the opportunity to present this statement. My associates and I will be pleased to respond to any questions you or other members of the Committee may wish to ask.

AGENCY PURPOSE

Mr. JONES. Good morning, Mr. Chairman. In view of your knowledge of the agency and with its purposes, I don't feel it is necessary for me to go into a description of the agency functions. Let me just say that the primary purpose of the Packers and Stockyards Administration is to assure the integrity of the livestock, meat, and poultry markets and the marketplace.

PACKER TRUST

In view of your involvement in the 1976 amendments to this Act, Senator, I will take a moment to report to you on the progress being made on one of those important amendments.

Since the amendments were passed and signed into law in September 1976, cash sellers of livestock have been paid $17 million as a result of financial failure by meatpackers. Of special significance, during fiscal year 1982, is that of the 13 cases that were settled, 10 were settled informally. The trend toward informal settlement has increased significantly, which, of course, saves us resources and also assures that cash sellers are paid more quickly when a packer does get into financial trouble.

It is also significant to note that the Supreme Court recently refused to review a decision by the Fifth Circuit Court regarding the statutory trust provisions. This decision was favorable to the cash seller and does uphold the legislative intent of the trust provision.

AGENCY ACTIVITIES

As livestock, meat, and poultry production and marketing continue to change, agency programs and operations are reviewed and adjusted to meet the needs of the industry within the confines of the statutory authority. The move on the part of the agency to expedite the regulatory review process is evidence of its sensitivity to change within the livestock, meat, and poultry markets.

The enforcement of the Act and the efficiency of program activities will be improved through automation this year. The jurisdictional, registration and bonding programs will be the first to be automated, along with the internal management system. Other programs in the agency will also be automated as quickly as time and resources permit.

1984 BUDGET REQUEST

With that, let me just turn to the budget for this year. As you summarized sufficiently in your opening remarks, our budget, for all practical purposes, is the same as 1983, with the exception of $179,000 for pay costs.

So, with that, Mr. Chairman, I will also be willing to answer any questions that you may have.

Senator ABDNOR. Thank you, gentlemen, for your very fine testimony. We appreciate your summaries. As I said, your statements will be made a part of the record.

I do have additional questions. Unfortunately, other members of the committee couldn't be here. They may want to submit questions later, so we will leave the record open for a time.

ACS BUDGET REQUEST

Dr. Torgerson, your request last year reflected a $1 million reduction from the 1982 level. Congress restored that amount. This year, your request again calls for a reduction of nearly $1 million. Can you sustain this reduction and still provide adequate quality assistance to our cooperatives?

Dr. TORGERSON. Senator, the cooperative program involving cuts of approximately $1 million will involve some reduction in research efforts, as well as technical advisory assistance the Service provides. What this means is, internally, we have to do some redirecting and adjust our programs to those we perceive to be of highest priority. Of course, this means that, perhaps, some requests will go unmet.

Senator ABDNOR. A million dollars is a million dollars. I guess the Appropriations Committee should be the one that is trying to find the savings. Do you think this is a good time for these reductions? You said in your testimony that there are a lot of problems.

Dr. TORGERSON. Well, there are some very significant problems in terms of the financial well-being of cooperatives. That is pretty general to the farm economy as a whole. Since cooperatives are an extension of the farm firm, anything that happens to the farmers impacts their cooperatives. On the other hand, we have major concerns over Federal deficits at the present time, and the Cooperative Service has to look at sharing part of the burden.

HAWAII FIELD OFFICE

Senator ABDNOR. Will a field office be placed in Hawaii as provided for in last year's appropriation bill?

Dr. TORGERSON. We have taken initiatives to determine the location of where the field office would be. We had a person detailed in fiscal 1982 in Hawaii for about 3 months, identifying cooperatives and assessing their needs. It is our intention to establish a field office there during the present fiscal year.

ACS ASSISTANCE TO FARMERS

Senator ABDNOR. Can you cite ways in which the ACS has been of specific assistance to farmers or co-ops under the current economic strain we are experiencing?

Dr. TORGERSON. The missions of the agency are basically in the research gathering and reporting area, as well as in technical advisory assistance. In response to your question, I would address some things that are taking place in both areas.

Because of the dynamics of the farm industry, including the returns farmers are receiving and the net margin cooperatives have been able to realize—in some cases net losses—there is a great deal of interest in the overall performance in the cooperative sector. We are undertaking a number of studies on a continuing basis to provide a data base that tracks this performance level. A key part of our efforts is financial analysis of the top 100 cooperatives, that is, looking at the performance of the larger cooperatives in the system and identifying their changes in sources and uses of funds, their net margin, their reliance on debt versus equity, and issues of that nature. We have also been gathering information on levels of direct exports that cooperatives have obtained, as well as assessing changes in volumes handled and operating costs in several industries including cottonseeds, oilseeds, and grain handling by regional cooperatives. We are also initiating some work in the dairy area.

The work in the technical advisory program is basically at the request of interested cooperatives. A number of requests have been directed toward developing better performance criteria that cooperative directors can use to evaluate the progress of their cooperatives. We have been involved in responding to a number of requests by individual farmers who are interested in organizing new cooperatives. These come in all shapes and sizes. One of the basic areas of concern in organizing new cooperatives is for producers to be able to provide the basic equity funding level required to initiate a new business. During the last few years, we have done a lot of studies but can point to relatively few new starts, mainly because high interest rates and producer prices have precluded the starting of a lot of new organizations. With the interest rates abating now, I anticipate the feasibility will be demonstrated for more of these than has been true in the past.

PIK PROGRAM

Senator ABDNOR. Do you see any additional problems that might come about in the grain cooperative area from the PIK program?

Dr. TORGERSON. There is a great deal of interest throughout the country in PIK, both in the marketing and farm supply end. The answer to your question is a little different depending on which group you are considering. The farm supply cooperatives, like suppliers of all inputs to agriculture, will experience some difficulty as a result of PIK, because fewer inputs will be purchased. A lot of cooperatives have significant investments in fixed facilities for the production of fertilizer, farm chemicals, and petroleum products. As the demand for these products abates further in 1983 from the 1982 levels, which were already down due to the recession, they will find it very difficult to show positive margins. As a result, for the farm supply industry as a whole, we have seen a significant amount of red ink during the past year, and indications are from the first half of this year that red ink is continuing.

As an example, we have collected data recently on some of the larger cooperatives that indicates there is a drop in net earnings of over 80 percent in 1982 from 1981.

On the marketing side, there is a different picture. There is some discussion within the Department that marketing cooperatives may have a role to play as agents for CCC in distributing some of the PIK grains. A final resolution has not been made on this. The idea is that instead of having 2,000 farmers come to the Department in terms of allotting where PIK grains would move, cooperatives could have a role assisting their members in any marketing decisions made under the program. There will be, to the extent production is curtailed, certainly some reductions in what goes through the marketing organizations as well.

Senator ABDNOR. Is there anything specific you can do to ease or help these troubled co-ops other than presenting the facts and figures?

AID TO TROUBLED CO-OPS

Dr. TORGERSON. Developing some measures and performance criteria that can be generalized to a large number of cooperatives could be a great deal of assistance to the boards of directors in evaluating which direction they go. For many it is a matter of survival. These have to be looked at on a case-by-case basis.

Senator ABDNOR. It has to be done quickly, doesn't it, if we are really going to be of help to them in evaluating the problem.

Dr. TORGERSON. That is correct.

Senator ABDNOR. Well, thank you.

[The following questions were not asked at the hearing but were submitted to the Agricultural Cooperative Service for response for the record:]

AGRICULTURAL COOPERATIVE SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

NUMBER OF COOPERATIVES

Question: How many agricultural cooperatives are in existence around the country, and how many of these are utilizing the assistance and resources of ACS?

Answer: The statistical survey contained 6,211 individual farmer cooperatives. The list is constantly being updated and the total is declining about 1-2 percent per year due largely to mergers, acquisitions, and cooperatives going out of business. The organization of new cooperatives does not offset the decrease from these factors. Total membership in these cooperatives was about 5.3 million.

In regard to assistance, we reach each of these 6,211 organizations monthly with our magazine carrying management information, research findings, case studies on successful cooperative operations, ideas for industry leaders, and the latest legal decisions affecting cooperatives. Our financial and policy research and educational programs affect all cooperatives. In addition, we do much work that is both functionally and commodity specific. Our work in international trade, dairy, livestock, grain crops, and fruits and vegetables assist those cooperatives specifically.

In our technical assistance activities, we work directly with several hundred cooperatives annually on a wide range of problems which they bring to us for assistance. In addition, we assisted 35 separate groups of producers by making an in-depth economic analysis as to the feasibility of organizing a new cooperative. Counting carryover projects, we were working with 115 different cooperative groups and organizations in 1981 on economic feasibility studies. Daily we receive dozens of requests from cooperatives, Congressional offices, and others for information concerning farmer cooperatives. Most of these are responded to by phone or with a follow-up publication or letter.

TRENDS IN ACS RESEARCH

Question: Are you seeing any trends toward the need for ACS research into issues affecting particular commodities? If so, what are the commodities and the findings so far?

Answer: Producers of nearly all agricultural commodities have been adversely affected by the economic hardships at the farm level during the past few years. As extensions of the family farm, cooperatives have been similarly affected. The cooperative grain sector in particular is faced with difficult organizational and operational adjustments in the months and years ahead. Structural change, rail line abandonments, and transportation deregulation combined with low farm prices and massive surpluses place grain marketing cooperatives in a precarious position. ACS has underway a major research effort on the future role of grain cooperatives that addresses many of these issues. It will show the need for increased coordination and commitment to the cooperative system at all levels of the grain industry and suggest directions cooperatives should pursue.

Other commodity areas have had and are receiving ACS attention, as well. Examples include dairy marketing in the Northeast, fertilizer in the Midwest, processed fruits and vegetables on the West Coast, and wool and potatoes on a national basis.

COSTS OF EDUCATIONAL MATERIALS

Question: What are the costs associated with educational materials produced by ACS in Fiscal Year 1982 and the estimates for Fiscal Years 1983 and 1984?

Answer: The actual costs associated with the editing, designing, printing, distribution, and reprinting where appropriate, of all ACS publications in FY 1982 was $352,700. This resulted in the printing of a monthly magazine, 38 new publications and reports, and 5 reprints. The magazine is distributed to 17,000 recipients, primarily managers and directors of farmer cooperatives. Every farmer cooperative gets at least one copy of the magazine. Distribution of other publications totaled 134,182 copies. The estimated costs for similar activities in FY 1983 are $335,200, and for FY 1984, $318,440. Of the total publication cost, ACS costs for educational publications including the magazine in FY 1982 was $150,500 and is projected to be $175,000 in FY 1983 and $150,000 in FY 1984.

TRAVEL BUDGET

Question: How much is your travel budget for each of those years? (1982 actual, 1983, and 1984 estimated.)

Answer: The actual ACS travel expenses for FY 1982 were $203,314. The estimated costs for FY 1983 are $180,000, and for FY 1984, $160,000.

HAWAIIAN FIELD OFFICE

Question: Will a field office be placed in Hawaii as provided for in last year's appropriation? Please explain.

Answer: Plans for establishing the Hawaii office are moving forward. We have assessed the situation in Hawaii with respect to cooperatives' technical assistance needs, office location, and availability of office space and support services. We are finalizing arrangements with the Farmers Home Administration to provide office space and office support services in Hilo.

REQUESTS FROM FARMERS AND COOPERATIVE BOARDS

Question: You point out in your statement that technical advisory assistance is provided in response to direct requests from farmers or co-op boards. How or where do they learn that ACS services are available to them in the first place?

Answer: Farmers and co-op boards learn of ACS services from a variety of sources. Among the more important sources are the staffs of the State and county Cooperative Extension Service, land-grant universities, and State departments of agriculture who have contact with these groups and refer them to ACS for assistance. Another important source is the bank for cooperatives that are financing existing cooperatives or are approached by a group of farmers to finance a new cooperative. The banks often refer these groups to ACS for assistance in solving their problems or in determining the feasibility of new cooperative operations. During the past year, one Virginia group of growers learned of the agency through a USDA television tape that was disseminated nationwide.

In States where ACS has field offices, field staff maintains contact with agriculture-related organizations. They make the availability of ACS services known to these organizations and to farmers through various meetings and communications. In the last couple of years, many farmers and co-op boards have learned of ACS advisory assistance services through attendance at our National Cooperative Development Training Center at Athens, Ga. Many existing cooperatives receive our monthly magazine, Farmers Cooperatives, and learn of our services through this source. The agency distributes a large number of publications to cooperatives, State extension services, and others that make known the availability of ACS advisory assistance.

Potential client groups also learn of our services from random contacts with our staff through their participation in cooperative and farm-related meetings, from other cooperatives or farmer groups our staff has assisted, from regional cooperatives of which local cooperatives are members, and from State cooperative councils and general farm organizations. In addition, a description of ACS' services is included in the Catalog of Federal Domestic Assistance published by OMB and normally available in all local, State and Federal government offices, and in most local libraries.

ASSISTANCE TO FARMERS AND COOPERATIVES

Question: Can you cite ways in which ACS has been of specific assistance to farmers or cooperatives under the current economic strain we are experiencing?

Answer: There are a number of ways we have been of assistance to cooperatives and their farmer owners during this period of economic stress in agriculture.

The most direct way the agency is of assistance to groups of farmers and cooperatives is in response to their direct requests for information and technical assistance. We receive literally hundreds of letters and calls for information on various cooperative related issues. Most of these requests are handled in what we call our short-term high response mode. Information is supplied either on the phone, by sending an existing publication, or in a follow-up letter report.

During the past two years, we have conducted an extensive research and educational program on cooperative financial management and equity redemption practices and how to implement and manage them. In this effort we have published a 216 page research report, 23 popular articles, and made 26 public presentations dealing with institutional, economic, financial, and legal features of various equity formation and redemption programs and policies. The effort has emphasized the importance of basing an equity redemption program on a sound program of financial management and equity formation.

Educational materials developed by the agency describe the base captial plan of equity captial formation and the use of investment tax credit, nonqualified allocations, per-unit capital retains, and other instruments to facilitate equity formation.

Beginning with the 1980 fiscal year, the agency began an annual financial profile of the largest cooperatives. This annual study was recommended by an outside program review group. These studies differ from earlier financial studies in that they provide both cooperatives and the agency timely and valuable information that can be used in performance evaluation and planning and to assist cooperatives in meeting the challenge of capital formation and policy issues.

In 1982, a project on cooperative finance and performance measures was initiated. This research includes analysis of the distribution of cooperative refunds, leverage, methods of equity financing, and tax status. These data will provide both managers and members information for improving capital formation and financial management.

The agency has been active in international trade both in research and technical assistance to cooperatives. Research has focused in three areas: identifying and evaluating opportunities for cooperative participation in international trade; evaluating organizational alternatives for cooperatives exporters; and providing technical information and data on international trade by cooperatives. Examples of studies of these areas include exports by cooperatives in 1976 and 1980, managing risk in foreign exchange transactions, and a publication describing trade capabilities of cooperative grain exporters.

Technical assistance studies have aided cooperatives in the Great Lakes area and in California to evaluate potential investments in export related facilities, and have aided fruit exporting cooperatives evaluate the market potential in Western Europe. Since the late 1970s, ACS has issued 14 research and 9 technical assistance reports in international trade.

In FY 1983 we received 35 technical assistance requests from groups of producers interested in forming new cooperatives. Our staff responded to these requests depending on the nature of the request and the individual situation.

With the continuation of work on requests received earlier, we were active in 78 technical assistance efforts including work with emerging cooperatives in FY 1982. These 78 projects directly served 115 different cooperative groups and organizations.

With the economic situation placing many cooperatives under extreme pressure, we are receiving increased numbers of requests for merger and consolidation studies. Sometimes this involves only two cooperatives, but may involve more.

Another way we are of specific assistance to farmers and their cooperatives is through our monthly magazine. In this we carry financial management tips, the latest research results, informational articles, and the most recent legal decisions relating to cooperatives.

These are but some of the ways the agency has attempted to provide assistance to farmers and cooperatives during these stressful economic times.

BUDGET REQUESTS

Question: Your request last year reflected a $1 million reduction from the 1982 level. Congress restored that amount. This year, your request again calls for a reduction of nearly $1 million. Can you sustain this reduction and still provide adequate quality assistance to our cooperatives?

Answer: The Agricultural Cooperative Service program will require some reduction in the research efforts as well as technical assistance the Service provides. We are redirecting and adjusting our programs to those we perceive to be the highest priority.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

PROGRAM REASSESSMENT

Question: The explanatory notes indicate that following a reassessment of ACS's mission, goals and priorities it was determined that resources should be focused on other ACS programs. Who conducted the reassessment?

Answer: The Agricultural Cooperative Service has had a number of groups and individuals assess its programs in recent years. These include the agricultural head of Touche Ross and Co.; a General Accounting Office (GAO) study looking at family farmers' need for cooperatives examined our program; and a cooperative leaders program review evaluated the entire program of the agency in February 1980. Congressman Bedell visited the agency during the Christmas holiday in 1981 and, after visiting with a few staff members, arrived at the conclusion the agency was overstaffed and funded. However, the other reviews concluded the agency could make good use of additional resources.

In addition to outside reviews, each program area annually updates a three-year research program of work. This process continually identifies high priority research needs and redirects resources to those areas as appropriate.

The agency also meets, usually annually, with the AIC and NCFC National Cooperative Research and Education Consulting Committee. This committee reviews the ACS program and makes suggestions for future research and educational efforts.

--Was there any input from the agricultural cooperative industry to this reassessment?

The review and evaluation of the cooperative program conducted by the Cooperative Leaders Committee included five members from operating cooperatives, three from the academic community; one from the Farm Credit banks; one from a state rural fund for development, specifically representing low-resource producers, and one from a

State council of farmer cooperatives. So, you might say, seven of the eleven directly represented cooperatives.

The 30-40 members of the National Cooperative Research and Educational Counseling Committee is almost entirely composed of cooperative managers and directors.

--What specific activities would be cancelled or redirected to allow the "focusing" of ACS activities to proceed?

The agency has conducted a sizeable portion of its research program in recent years through the use of cooperative research agreements with various land-grant colleges and universities. The decrease in funds to which this reassessment is directed would result in the elimination of this aspect of the agency's research program. It would also result in the amount of resources available for performing in-house research to be reduced. More resources would have to be directed toward servicing requests for technical assistance and short-term high response inquiries.

--On what activities would ACS resources be focused under the budget for fiscal year 1984?

The agency is committed by the Cooperative Marketing Act to conduct programs in five specific areas. The level of request for 1984, after covering these areas, provides only limited flexibility to redirect resources. However, to the extent possible, work will be increased in cooperative financial management and international trade among other research, and in providing technical assistance to requesting groups of farmers and cooperatives.

EXPORT ACTIVITIES

Question: The conference report on the FY 1983 Agriculture appropriations bill directed that funds be specifically spent to assist cooperatives to further their export activities and to work with the Federal Farm Credit System in carrying this out. What has been done to fulfill this direction?

Answer: Working independently, the Central Bank for Cooperatives and ACS identified a need for cooperatives to have improved access to international trade information. The two agencies are now coordinating efforts to develop an information bank on international trade. Preliminary plans call for a pilot information bank in machine readable format to be ready for service in 1983.

Discussions are underway on other ways in which ACS and the banks for cooperatives can enhance each other's efforts in international trade including joint research studies, sharing of trade information, export trading company seminars, and others.

ECONOMIC STATUS OF AGRICULTURAL COOPERATIVES

Question: In general, what is the economic status of agricultural cooperatives and what has ACS been doing to assist them?

Answer: The economic status of agricultural cooperatives is exemplified by their most recent earning statements. Preliminary data on 43 of the largest cooperatives indicate an 81 percent decrease in net margins from 1981 to 1982 (see data below).

From data reported by a number of cooperatives of differing sizes for 1982, it appears net margins for all cooperatives will be down again. Net margins for the 6,211 cooperatives in 1981 dropped nearly 26 percent in comparison to 1980 margins. Margins for 1982, while significantly lower, will not be known until early fall.

The Agricultural Cooperative Service is providing assistance to the cooperative community several ways--timely and accurate industry statistics, technical assistance, and research informing directors and managers of appropriate management and financial strategies. Current annual statistics are provided on the financial condition of the largest 100 cooperatives. This information serves as a barometer of the entire cooperative community. Furthermore, observed trends in the largest firms are usually forerunners of trends in the overall population.

Articles on practical management strategies and other research findings have been published in the agency's monthly magazine, Farmer Cooperatives. For example, strategies for coping with short-term problems--cash flow, accounts receivables, inventories, and interest rates--are presented in the March issue of Farmer Cooperatives.

The agency has also emphasized the need for long-range planning by cooperatives and has provided information and guidelines for implementation. The overriding concern is for cooperative directors to recognize the long-term impacts of reactions to current conditions and to realize structural changes occurring in the agricultural economy.

Financial performance of 43 large agricultural cooperatives, 1981-82 1/

	1981	1982	Percent change
Net Margins	$334,538	$135,034	-59.6
Net Losses	47,724	80,842	69.4
Total	$286,814	$ 54,192	-81.1

1/ Eight co-ops had losses in 1981, 13 in 1982.

1984 AMS REQUEST

Senator ABDNOR. Mr. Highley, your request is $6,019,000 below the amount provided in fiscal year 1983. What elements constitute this reduction, and will AMS be able to continue its service adequately with this reduction?

Mr. HIGHLEY. Yes, sir, we will. We have three pieces of pending legislation that, when enacted, will let us reduce our budget by $7.6 million. A million and a half of that is in the egg products inspection program. We are not requesting authority to do less inspection; we will fully meet the criteria of the act in providing adequate inspection to assure safety and wholesomeness in egg products. There are a lot of gate check inspections—pasteurization, cooling, and other aspects of a plant—we feel we could minimize without reducing our ability to insure product wholesomeness. We feel the Secretary should have discretionary authority to determine whether or not we should continue doing that, and also things relating to sanitation.

EGG PRODUCTS INSPECTION ACT

Senator ABDNOR. Are we going to hear a lot of complaints about this?

Mr. HIGHLEY. No, sir, I don't think so in the egg products area. We have not heard a lot of complaints.

Senator ABDNOR. Is the industry aware of the fact that you are contemplating this?

Mr. HIGHLEY. Yes, sir, we have communicated with the industry that we are not going to do less inspection of egg cracking or on egg handling itself. We are only talking about reducing the labor and walking around through the plants. For example, when an inspector goes through the plant—he makes four trips in an 8-hour period—a large part of that is checking gauges and looking at machinery. Such tasks are ones the plant itself could well monitor and not rely on us to tell when a gauge is out in some maze of pipes somewhere. That should be their responsibility. These changes in the act would enable us to save $1.5 million.

Mr. MCMILLAN. May I add, Mr. Chairman, that that particular piece of legislation is a part of another piece of legislation we are seeking in conjunction with changes in meat and poultry inspection. During the last Congress, hearings were held on this legislation. There were some minor disagreements on the overall legislation that now have been agreed to by industry. We have had discussions, for example, with Senator Lugar, who is chairman of the subcommittee of the Senate Agriculture Committee that would consider this bill. We hope hearings will be held soon, and the legislation will move with minimal problems.

MARKET NEWS USER FEES

Mr. HIGHLEY. A reduction of $300,000 would be made if we could convert the cost of cotton and tobacco printed market news reports to user fees like the rest of the commodities we report. The conversion of the administration of marketing orders and agreements to a user-fee basis would result in a reduction of another $5.8 million.

Senator ABDNOR. How would that work?

MARKETING ORDERS

Mr. HIGHLEY. About 40 percent of that $5.8 million is spent on administering 48 fruit, nut, vegetable, and specialty crop marketing orders. The 48 marketing order committees are self-supporting except for the funds we require to oversee their actions. The other 60 percent of the administrative funds is used to oversee milk marketing orders. By charging user fees for our oversight costs, the cost to the dairy producer would increase by about one-thirtieth of a cent per gallon or one cent per 30 gallons. We feel that we would have no difficulty in making this conversion to user fees. We feel the industry is ready to accept it.

The passage of these three pieces of legislation will result in a reduction in appropriated fund requirements of $7.6 million. We also have one other program change not requiring legislation. We are proposing to eliminate the Federal-State marketing improvement program, what we call FSMIP. This would save $1 million.

Senator ABDNOR. What is the name of that?

Mr. HIGHLEY. The Federal-State marketing improvement program, which provides funds to States on a matching basis to help improve markets.

We are also proposing to place cotton classing on a 100-percent user-fee basis. We have been communicating with the industry about this. This program has had a partial appropriation of $2.3 million for the last 2 years, and placing the program on a full user-fee basis would reduce the appropriation by this amount. Similarly, we are proposing to convert the examination of cotton warehouses to user fees. This would reduce another $355,000 from our appropriation. Finally, we are proposing the elimination of our wholesale market development program for a savings of $1.5 million.

WHOLESALE MARKET DEVELOPMENT

Senator ABDNOR. You are proposing then to eliminate wholesale market development?

Mr. HIGHLEY. Yes, sir, to eliminate that entire program.

Senator ABDNOR. You feel that State, local, and private groups are going to assume responsibility for this?

Mr. HIGHLEY. Well, we have just about reached the end of the trail on the goals that we set out to accomplish. Work performed in this program is primarily work that is done at a wholesale level on techniques and the mechanics of making wholesale markets more attractive, hopefully to benefit the farm gate price of agriculture. We have dozens of projects that have been completed. Some of them have proved worthy, and I think some have not. That is my own opinion in assessing the program. A lot of the reports are still there for people to use—research data that they can use for ongoing programs. But we feel that, in the interest of assisting our Government in reducing the burden of Federal spending, we can eliminate this program.

Senator ABDNOR. How much did you say this is going to save?

Mr. HIGHLEY. Approximately $1.5 million annually.

Senator ABDNOR. I can't speak for the committee, but did you not propose this last year?

Mr. HIGHLEY. I believe we did, sir. I was not here then, but I believe the agency did propose the elimination of it last year.

PAYMENTS TO STATES

Senator ABDNOR. How about the Federal portion of payments to the States and possessions? Are you proposing to eliminate the Federal payment to States and possessions? Do you feel this is no longer necessary to assist the State Departments of Agriculture in conducting marketing service projects? Do you think they are going to pick up the slack?

Mr. HIGHLEY. They surely are. This is a program with 1 million Federal dollars. There is a limit to what you can accomplish with $1 million. As you know, Mr. Chairman, we have tried to apportion it out as best we can to as many States as possible; however, we feel that this is a responsibility that the local, regional, or State areas can well pick up, particularly when we are talking about $1 million among 50 States.

PROGRAM ELIMINATION

Senator ABDNOR. How much is your agency really eliminating, how many programs? I want to get it all summarized.

Mr. HIGHLEY. There are only two programs that we would eliminate. We would save $1 million by eliminating the Federal-State marketing improvement program, and $1.5 million by eliminating the wholesale market development program. The rest we would propose to convert to user fees, to sell our services just like we are doing in a number of other programs.

Senator ABDNOR. Everything else will be retained?

Mr. HIGHLEY. Yes, sir, it would.

Senator ABDNOR. Thank you, Mr. Highley.

[The following questions were not asked at the hearing but were submitted to the Agricultural Marketing Service for response for the record:]

AGRICULTURAL MARKETING SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

LEGISLATIVE PROPOSALS

Question: You are proposing legislation to establish user fees for marketing information programs, and to reduce in-plant inspection of some egg processing operations. What are the savings associated with these proposals, and when do you expect the legislation to be enacted?

Answer: The proposed legislation to permit user fees to be charged for cotton and tobacco printed market news reports is estimated to save $300,000. The proposed legislation to allow less than continuous inspection for certain egg processing operations and reductions in the frequency of shell egg surveillance is estimated to save $1,506,000. We are hopeful the legislation will be enacted during the current session of Congress.

DAIRY PRODUCT SURPLUS

Question: We continue to see an overabundance of dairy products. How much of your grading program budget is expended on grading Government purchases, and what is AMS doing to promote increased consumption of dairy products?

Answer: Grading of Government purchases can range from 50 - 75 percent. At this time, grading of Government purchases is approximately 70 percent of the program budget due to the price support program and a significant amount of dairy products in Federal storage.

Outside of our dairy grading program, we also have a program which provides oversight on an industry-funded and administered advertising and promotion program.

On a voluntary basis, $18.1 million was deducted from dairy farmers as assessments for 1982. Of this amount, $4.9 million dollars was refunded to farmers. Of the $13 million budgeted for advertising and promotion, about 83 percent was budgeted for local programs, 15 percent for national programs, and 2 percent for administration.

AMS PUBLICATIONS

Question: How many publications does AMS sponsor? Please provide a listing, distribution numbers, and the cost of each publication to AMS.

Answer: The following table describes current AMS publications:

PUBLICATIONS EXEMPT FROM THE USER-FEE SYSTEM

Title	Distribution	Cost
USDA Grade Standards for Food and Farm Products	2,800	$140

Cotton Testing Service: Tests Available, Equipment and Techniques	1,800	496
Q&A on Federal Milk Marketing Orders	2,000	140
Facts About: Research and Promotion Programs for Farm Products	1,700	421
Facts About: Federal Marketing Orders for Fruits and Vegetables - In Brief	2,000	544
Facts About: Federal Marketing Orders for Milk - In Brief	1,300	70
Facts About: Instant Market News	3,600	1,310
Information Available from AMS	2,000	140
Facts About: Public Participation in Federal Marketing Order Program	500	35
Facts About: The Food Retailer and PACA	2,900	203
Facts About: U.S. Standards for Grades of Feeder Cattle	1,300	91
Facts About: How PACA Can Help Your Food Service Firm	1,500	105
Facts About: The Fruit and Vegetable Grower and PACA	14,325	1,618
Facts About: Naming and Labeling Varieties of Seed	5,400	625
Facts About: Cotton Research & Promotion	1,900	133
Facts About: Programs of USDA's Agricultural Marketing Service	2,700	330
Facts About: The Government-Wide Food Quality Assurance Program	600	295
Facts About: Information for Volume Food Buyers	4,250	529
Facts About: Commodity B Poultry	3,900	225
Judging and Scoring Milk and Cheese	21,100	1,470
Facts About: How to Bid in USDA Meat Purchase Programs	1,950	133
USDA's Beef Carcass Evaluation Service	4,900	343
Facts About: The Food Acceptance Service	4,000	280
A Guide to Carcass Data Service (Beef)	2,900	203
Codex Alimentarius Commission - the U.S Role in International Standards	2,000	140
Information for Volume Food Buyers - Poultry	2,000	140
Information for Volume Food Buyers - Shell Eggs	1,900	133
How to Use USDA Grades in Buying Food	25,000	1,750
(same, in Spanish)	1,600	112
The Federal Milk Marketing Order Program	5,000	350
The Story of Cotton	850	63
Federal-State Market News Service	2,500	175
The Market News Service on Cotton	2,500	175
The Market News Service on Tobacco and Naval Stores	714	49
The Market News Service on Grain	1,600	112
USDA Yield Grades for Beef	2,000	140
USDA's Acceptance Service for Meat and Meat Products	100	7
USDA Grades for Pork Carcasses	700	49
USDA Grades for Slaughter Swine and Feeder Pigs	1,000	70
Product Examination Service--Reports on the Condition of Meat	2,000	140
The Market News Service on Poultry and Eggs	650	47

The Market News Service on Fruit, Vegetables, Ornamentals and Specialty Crops	8,000	560
USDA Grade Standards for Grease Mohair and Mohair Top	350	23
The Market News Service on Dairy Products	2,500	175
Cotton Quality--What It is, How it's Measured	3,400	238
Processed Fruit and Vegetable Grading Service	5,000	350
Dairy Products Grading Services	3,300	231
Fresh Fruit & Vegetable Grading Services	5,000	350
Tobacco in the United States	1,000	70
USDA Egg Products Inspection-Safeguard for Quality Buyers	800	54
Can A Marketing Order Help?	700	49
This USDA's Agricultural Marketing Service	4,900	343
Marketing Agreements and Orders for Fruits and Vegetables	1,700	119
Plant Variety Protection--How it Works for You	1,800	126
Subtotal, Exempt Publications	181,889	16,219

PUBLICATIONS ISSUED ON A USER-FEE SYSTEM

A review of Federal Marketing Orders for Fruits, Vegetables, and Specialty Crops-Economic Efficiency and Welfare Implication	1,200	$336
A Comparison of Handling Systems for Fresh Tomatoes from Packing Plant to Retail Store	36	3
Design, Operation, and Feasibility of a Small on-the-Farm Egg Grading and Packing Plant	36	3
Reducing Costs of Less-Than-Trailer-Load Purchases by Grocery Distribution Firms	11	2
Least-Cost Hospital Food Service System	220	14
Evaluation of Slipsheets for Unitized Shipment for Groceries in Trailers	1,800	356
Energy Costs for Marketing Fresh Beef	2,600	186
Evaluation of A Shell Egg-Packing Plant Layout	2,800	489
Potential for Consolidated Delivery of Vendor Items	2,500	516
The U.S. Mushroom Industry	2,400	168
Poultry Grading Manual	370	28
The Classification of Cotton	50	4
Compilation of Statues Relating to AMS	100	7
Compilation of Agricultural Marketing Agreement Act of 1937	30	2
Fresh Fruit and Vegetable Unloads in:		
Eastern Cities	800	879
Midwestern Cities	700	725
Southern Cities	700	668
Western Cities	700	407
41 Cities	900	666

Fresh Fruit and Vegetable Shipments by Commodities, States and Months	800	364
1981 Annual Summary:		
Fresh Fruit and Vegetable Prices	1,300	502
Federal Milk Order Market Statistics	1,900	1,886
Poultry Market Statistics	1,900	1,188
Dairy Market Statistics	1,800	1,151
Annual Report on Tobacco Statistics, 1981	2,200	954
Tobacco Stocks Reports	4,000	500
Flue Cured Tobacco Market Review	1,600	336
Light Air-Cured Tobacco Market Review, Burley	1,600	336
Fire Cured Dark Air-Cured Tobacco Market Review	1,100	354
Subtotal, Non-Exempt Publications	36,153	13,030

MARKET NEWS COMPUTERIZATION

Question: The Committee provided $100,000 in fiscal year 1983 for computerization of market news for horticultural crops in several Western states. What is the status of that operation?

Answer: The evaluation of automated technology to replace the current AMS system for the collection and dissemination of market news is underway. The Dialcom System was selected for the pilot evaluation because of their existing software packages and the widespread use of this system in the Department of Agriculture. Once the test period is completed, the results will be evaluated by AMS. A decision to replace the current information dissemination system will be based upon consideration of cost and improvements in service and system flexibility for both the Department and the agricultural community.

FEDERAL SEED ACT

Question: The Committee has been concerned that delays in seed testing might result from the consolidation of five Federal Seed Act laboratories. How is the new system at Beltsville working, and have there been any complaints of delays from seed dealers or other users?

Answer: The consolidation of the seed testing activities into the single Federal Seed Laboratory located at Beltsville, Maryland is working very well. All seed samples received for testing so far during fiscal year 1983, have been tested and results reported on a timely basis. In fact, since we consolidated our offices, our seed testing service has been highly praised by the industry. We have also experienced no lag time with seed tests for Federal Seed Act interstate enforcement purposes as a result of our consolidation.

Additionally, the laboratory staff has performed some check testing, assisted State laboratories in the interest of improved uniformity, and conducted some training schools for State and commercial analysts.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

1984 LEGISLATIVE PROPOSALS

Question: Please provide the committee with a list of the legislative proposals included in the budget which would impact on the need for appropriated funds in fiscal year 1984 and include the savings resulting from these proposals and when it is assumed they would be implemented.

Answer: AMS is proposing three program changes in FY 1984 which require legislation and would reduce our need for appropriated funds. Two of these proposed changes would be accomplished through a switch to user funding. All changes are scheduled for October 1, 1983 implementation.

The proposed appropriation reduction which would not be accomplished by switching to user fee funding involves our egg products inspection program. Current law requires the continuous inspection of some egg processing operations and the inspection of shell egg establishments at least quarterly. Our proposal would provide the Department with the flexibility to provide less than continuous inspection of certain egg processing operations and to reduce the number of shell egg surveillance visits from four to one per year. If implemented this legislative change would save AMS approximately $1.5 million in appropriated funds.

Our second appropriation reducing legislative proposal is the implementation of user fees for cotton and tobacco printed market news reports. Currently these two commodity groups are the only groups still receiving free printed market reports. In the interest of equity between producer groups we are proposing that fees be instituted for cotton and tobacco printed market news reports as well. These fees would apply only to printed market reports and not for our other less costly means of dissemination such as automatic telephone answering machines, television or radio. If approved this legislative change would save AMS approximately $300,000 in appropriated funds in FY 1984.

Our third legislative proposal would save AMS approximately $5.8 million in FY 1984 and would involve switching the marketing agreements and orders program to a user fee basis.

MARKETING ORDERS

Question: The budget proposes to place the administration of marketing orders on a user fee basis. Are there other costs associated with marketing orders elsewhere in the Department's budget, such as in the Office of General Counsel, which would not be included in this fee? If so, what are those costs, what agencies provide the services, and were not these costs proposed for inclusion in the user fee?

Answer: The proposed legislation included in the FY 1984 budget is premised on AMS recovering the $5.8 million cost of administering Federal marketing and agreement order programs. The draft legislation, submitted to Congress on February 3, 1983, provides discretionary authority to the Secretary to prescribe by regulation, industry assurance to pay all or part of the Department's expenses in administering the Act. If a determination were made to incorporate OGC's cost into the fee, an additional $700 to $800 thousand in fee income would be necessary.

U.S. WAREHOUSE ACT

Question: The explanatory notes indicated that no funds will be spent to enforce the U.S. Warehouse Act. Will AMS continue to be involved in the inspection of warehouses licensed under this Act and, if so, who will pay for these inspections?

Answer: AMS continues to be involved in the examination of warehouses licensed under the U.S. Warehouse Act and will carry on the voluntary licensing, bonding and administration functions of this program. The Secretary is required by statute to make these services available and to recover the costs of the services from the users of the services. The examination of cotton warehouses has been carried out with appropriated funding. However, user fees for cotton warehouses have been proposed in our FY 1984 budget request. Charges were assessed and collected for licensing warehouses storing all commodities except cotton commencing October 1, 1981.

Question: How many times per year will the average grain warehouse be inspected in fiscal year 1984? What were the average rates of inspection in fiscal years 1981, 1982 and 1983?

Answer: The goal is to examine the average grain warehouse at least one time in fiscal year 1984. The average examination rate was 1.7 in FY 1981, 1.5 in FY 1982 and is estimated to be 1.3 in FY 1983. We are now requiring audited or reviewed financial reports in addition to an increase in minimum net worth requirements. If these requirements are not sufficient to assure the integrity of the warehouse license, we will review the need for an increase in the rate of examinations.

WAREHOUSE BANKRUPTCY

Question: What changes have been implemented in the inspection and licensing program to improve protection for farmers against warehouse bankruptcy?

Answer: On June 1, 1982, minimum net worth requirements were raised and financial requirements were amended to require financial statements to be audited by an independent certified public accountant or reviewed by an independent public accountant with the provision that warehousemen furnishing review level statements will be subject to an additional audit and an on-site examination by the Department. AMS has also furnished material for an article in the August 1981 publication of Farmline magazine, assisted in publishing the Extension Service fact sheet, "Grain Elevator Bankruptcies: Understanding your Legal Rights," and participated in the Producer Grain Marketing Conference sponsored by the Extension Service on October 26-28, 1982, in St. Louis, Missouri. These efforts were to focus the agricultural community's awareness on elevator failures, problems and possible solutions.

COTTON WAREHOUSE EXAMINATION FEE

Questions: If examination of cotton warehouses were placed on a basis comparable to grain warehouses, where CCC pays half of the cost, what would be the fee charged to the warehouses for inspection?

Answer: There are approximately 200 licensed cotton warehouses with the projected 1984 inspection cost being $400,000 or an average cost per warehouse of approximately $2,000. We anticipate that CCC will pay a portion of this cost. We will be continuing our discussion with CCC to determine the extent of their participation.

FIELD OFFICE CLOSINGS

Question: Does AMS contemplate closing any of its field locations in fiscal year 1984? If so, what are those locations? What is their current function? And what is the level of funding currently expended on support of that location?

Answer: Over the past couple of years AMS has had to closely evaluate the need for its many field locations in order to meet budget reductions and changes in service demand. As a result, several field offices have been closed and/or merged with other locations without significant service reduction to the affected areas. The only field office closing which we currently anticipate involves the Beltsville, Maryland, wholesale market development laboratory. We anticipate closing this office when Congress approves our proposed elimination of the wholesale market development activity.

SECTION 32

Question: What process is used in determining that commodities are in burdensome supply and should be purchased to provide price assistance to producers?

Answer: There are essentially three considerations in determining that commodities are in surplus or burdensome supply. In determining what commodities to purchase, we consider the current market price in relation to parity, the cost of production in relation to the market price, and the current state of the market for that commodity. Where one or more of these criteria indicate problems for producers, that commodity is a candidate for surplus removal operations.

Question: Is there a standard definition of "burdensome supply" which is used as a guideline in making these determinations?

Answer: We consider any commodity that is below one hundred percent of parity to be in surplus or burdensome supply.

Question: What percentage of the total cost of Federal market news activities do you estimate will be recovered through user fees in FY 1983? FY 1984?

Answer: We anticipate that 6 percent of total market news costs will be recovered through user fees in FY 1983, rising to 8 percent in FY 1984 when our proposed user fee legislation is approved.

MARKET NEWS REPORTS

Question: Does the Department propose to discontinue any current market news reports in fiscal year 1984? If so, what are those reports and what level of funding would be necessary to maintain these reports in FY 1984?

Answer: We are constantly evaluating the need for current and new market reports. When the demand for a current report declines or the need for a new report develops we take appropriate steps to adjust to the information needs of the farming community. The information in a specific report may be merged into a different report or discontinued altogether. However, we have no plans at present to discontinue any specific reports in FY 1984.

REPORTS PROVIDED TO FARMERS

Question: Legislation is being proposed to implement user fees for postage, printing and handling of cotton and tobacco market news reports. What proportion of these reports are currently going directly to farmers?

Answer: Approximately 20 percent of cotton market news reports and 10 percent of tobacco mailed reports go directly to individual farmers.

COTTON AND TOBACCO REPORT FEES

Question: How would this fee compare to other market news reports currently being issued?

Answer: Proposed fees for cotton market news reports are $110.00 per year for the daily report, $22.00 to $26.00 per year for the weekly report at the annual rate, $8.50 to $10.50 per year for the weekly report at the seasonal rate, $12.00 to $28.00 per year for the monthly report, and $2.50 to $4.50 per year for the annual report.

Yearly subscription rates for tobacco market news reports will range from $4.00 to $10.00. The spread reflects the length of the selling season between individual types of tobacco which directly affects the number of reports issued. These rates are comparable to seasonal reports issued for other commodities.

Question: Is there any justification for not charging fees for these reports when all others have a fee associated with them?

Answer: We do not feel that there is any justification for not charging for these printed reports and have proposed legislative changes to allow us to charge for these reports. Currently, we are prohibited by statute from charging for the bulk of cotton and tobacco printed market reports.

INFODATA

Question: What has been the success of the INFODATA experiment? Do you plan to continue this experiment in FY 1984?

Answer: The INFODATA experiment began August 2, 1982, with nine stations. The Public Broadcasting System (PBS) is currently conducting a survey in the nine stations' viewing areas to determine the public response and will issue a report by March 31. However, an additional 32 stations are now providing the televised information. The PBS report will include an estimate for distribution by satellite cost. If satellite distribution is feasible, we may expand this system to allow an increased number of public television stations to participate.

Question: What is the cost associated with this project and what would be the cost to expand the current experiment?

Answer: The Federal cost of the INFODATA experiment is $247,500 and covers only the nine test stations. The PBS report due March 31, 1983, will include the cost to expand this system.

EGG PRODUCTS INSPECTION ACT

Question: Will the legislation being proposed to amend the Egg Products Inspection Act impact on the number of countries eligible to export eggs to the U.S.? If so, in what way?

Answer: Canada is the only country eligible to export egg products to the United States to date. Since the legislation being proposed to amend the Egg Products Inspection Act does not greatly increase or decrease the stringency of the requirements for exporting countries, it is doubtful that the change will affect the present import situation for egg products. The proposed amendment has no impact on the importation of shell eggs into the United States. Last year, imports of eggs in all forms amounted to less than two-hundreths of 1 percent of U.S. egg production.

COTTON CLASSING OFFICES

Question: Does AMS intend to close any cotton classing offices in fiscal year 1984?

Answer: No, the Agricultural Marketing Service has no plans at the present to close any cotton classing offices in fiscal year 1984

MARKET PROTECTION AND PROMOTION

Question: The notes indicate that over 78% of the Market Protection and Promotion activities are paid for by taxpayer dollars. Why is this percentage so high when these activities are supposed to be carried out on a reimbursable basis. Please provide details on what activities non-reimbursed Federal funds are primarily used to support?

Answer: For FY 1982 our program expenditures in our Market Protection and Promotion program were approximately as follows:

Program	Percent of 1982 Activity Expenditures
Cotton warehouse examination under the U.S. Warehouse Act	18
Federal Seed Act	60
Plant Variety Protection Act	20
Research and Promotion	1
Export Fruit Acts	1
Tobacco Export Permits	--
Total	100

Our cotton warehouse examination activity will continue under appropriations in FY 1982 and 1983 but has been proposed for user fee funding in our FY 1984 budget. Grain warehouse examination activities under the U.S. Warehouse Act were switched to user fees in FY 1982. The grain warehouse examination program is now shown in our inspection, grading and standardization activity with the bulk of our other fee programs.

The Federal Seed Act provides seed testing and standardization services to the seed trade. While we do have authority to collect some fees for seed testing services, this program is mainly appropriation supported. In FY 1982, approximately 99 percent of the total expenditures for this program were appropriated.

In FY 1982, we recovered approximately 6 percent of our expenditures for the Plant Variety Protection Act from certificate applications. We have recently increased the fees charged for certificates and are proposing that this program be fully user supported in FY 1984 for certificate applications received after September 30, 1983.

In FY 1982 we did have some appropriated expenditures for wool and mohair research and promotion. In FY 1983 appropriated funding has been eliminated. Expenditures for these two programs will be reimbursed to AMS beginning in FY 1984. In FY 1982, AMS was reimbursed approximately $272,000 for work performed for the cotton, egg and wheat and wheat food industries. Our research and promotion programs provided oversight to industry funded research and promotion efforts which expended approximately $48 million in FY 1982. However, none of these industry funded expenditures are shown in our budget.

We are charging fees or collecting reimbursements wherever we are legislatively authorized in our market protection and promotion activity. We are proposing to further shift to user fees and reimbursements in both FY 1983 and FY 1984.

PAYMENTS TO STATES

Question: The notes indicate that funding under the Payments to States and Possessions program was utilized for a study to determine the reasons underlying grain warehouse bankruptcies. Please summarize the findings to date of this study. When will the final report be completed?

Answer: In the study, it was almost unanimously the case that more than one, and usually several, factors have contributed to a specific insolvency. The factor indicated most frequently as contributing to an insolvency was poor management or mismanagement of the grain operation. This was followed, in order of frequency, by: diversion of grain funds; false/inaccurate records; speculation; and cash flow problems. Problems were most frequently associated with the merchandising activities of an elevator. Insolvencies which distinguished between grain warehouse and merchandising creditors indicated that warehouse customers had a much better chance to recover a large portion of their loss than did merchandising customers. The most serious problem area is the falsification of records to conceal speculative activities and speculative losses. Grain warehouse regulatory agencies are not able to prevent all insolvencies. A more realistic and measurable objective is to minimize losses resulting from grain elevator insolvencies.

We expect a final report on the project this summer.

CONTRACTUAL SERVICES

Question: What proportion of your budget do you expect to spend for outside contractual services in fiscal year 1984 and for what activities will contracts be let?

Answer: Currently, we anticipate spending approximately $13 million on other services for FY 1984, excluding Section 32 commodity payments. Of this amount, we plan to spend a sizeable proportion on outside contractual services in FY 1984. Activities for which outside contracts are let include such items as market news and egg products reimbursements to states, commodity purchase service reimbursements to the Agricultural Stabilization and Conservation Service, rent paid to other Federal agencies, training, market research and development contracts to states and land grant universities, and numerous departmental charges.

WAREHOUSE BANKRUPTCIES

Question: In the report on the FY 1983 Agriculture appropriations bill, the Senate directed that AMS keep the Committee informed of the progress towards the implementation and use of a predictive formula for warehouse bankruptcies. What is the current status of the predictive formula and what is being done to put it to use?

Answer: Since we last reported to the Committee, we have moved forward in our assessment of the use of the predictive formula as it relates to warehouse bankruptcy problems. A model developed by a researcher at the University of California, Davis, was tested on a sample of 300 licensed and non-licensed warehouses for which we knew the financial conditions. That test is still being evaluated to determine whether or not the formula will be a useful tool. We anticipate that the formula will serve as an indicator to point out those warehouses which may have problems and can be identified for further review.

Question: Is consideration being given to include merchandising activities of warehouses in the inspection program?

Answer: In fiscal year 1982, we implemented a procedure which requires each warehouseman licensed under the U.S. Warehouse Act to provide a financial statement which has been audited by an independent certified public accountant. Alternatively, the warehouseman may submit a statement audited or reviewed by an independent public accountant. If the second alternative is selected, the warehouseman subjects himself to an additional on-site examination and audit by AMS. Until we have had an opportunity to assess the impact of this financial statement requirement, we will not be formulating plans to include merchandising activities as a part of the warehouse examination program.

DEREGULATION OF THE TRUCKING INDUSTRY

Senator ABDNOR. Mr. Fitzpatrick, I need to ask you a question here, if I might, about the trucking industry.

My State's trucking interests could be seriously damaged by the Surface Transportation Assistance Act. We have several carriers that enter South Dakota and take the cream off the top of the shippers. This is fine, but when these big trucking firms come through South Dakota taking the best hauls, the small in-State firms suffer. My concern lies in the long-term effects of these cutthroat tactics. What happens when all of the smaller trucking firms are forced to abandon their businesses? Do the shipping rates go up?

In the 1982 act passed during the lameduck session, we leveled a heavy user tax on truckers. Our tax structure is based on the ability to pay. The user tax in the Surface Transportation Assistance Act is not a user tax at all. We are socking it to everyone who owns a heavy truck regardless of his or her ability to pay. Now, back to the issue at hand.

OFFICE OF TRANSPORTATION AID TO FARM ECONOMY

What has your office done in the past year in the way of contributing toward the improvement of the farm economy? Transportation certainly is one of the key things.

Mr. FITZPATRICK. Well, Mr. Chairman, we have worked very hard in trying to help farmers reduce the cost of transportation by our deregulation assessment, which was an attempt to help bring farmers into the new deregulation climate. As you have indicated, there are many difficulties with the new deregulation situation for farmers and agribusinessmen, and we have tried to help the farmers adjust to this situation. We have provided technical assistance to traffic managers and shippers throughout the United States who are better facilitating the movement of agricultural commodities, and we are working right now on trying to help the agricultural community adjust to the deteriorating condition of our rural roads and bridges.

One thing we are doing are pilot projects in various counties. One example is in Lancaster County, Pa. We are working with the local officials there in helping them to identify the barriers and the problems in their area and giving them alternatives and suggestions via the Federal Government that might exist. If these experimental projects are successful, we would like to apply this technology and approach in other counties in the United States that have rural road and bridge concerns.

HIGHWAY USER FEE

Senator ABDNOR. Let me ask you a question in regard to the user tax passed last December.

Mr. FITZPATRICK. The highway user tax?

Senator ABDNOR. Yes.

In the bill, we have an exemption for trucks which travel less than 5,000 miles annually. The past couple of years dozens and dozens of farmers in the more remote areas of South Dakota have purchased trucks so that they can haul their own grain. They don't have a railroad in most areas out there anymore, and they find they can do very well by trucking their own grain. They truck their grain to the Great Lakes, Minneapolis, and down into Nebraska. It is easy for them to travel 15,000 to 20,000 miles in the course of shipping 30,000 or 40,000 bushels of grain. Do you think it is fair that these people pay the same as the commercial trucker who travels 200,000 miles a year?

Mr. FITZPATRICK. As you indicated, there is an exemption for certain aspects of the fee for those people who travel under 5,000 miles.

Senator ABDNOR. But how about those who travel 5,500, if they are honest?

Mr. FITZPATRICK. Well, one of the things that we are doing, Mr. Chairman, in the Office of Transportation in conjunction with the Department of Transportation, is working and making some policy adjustments in some of those agricultural areas that you mentioned, particularly this one. We are looking at assessing that situation and hoping to come up with an equitable policy.

Senator ABDNOR. I think we have to. I realize it is going to take 4 or 5 years before the Act is fully implemented, but the heavy-use provision is only one of many increased taxes on trucks contained in the bill. So, I guess this is a personal plug for my bill, S. 113. Putting an additional tax on diesel fuel seems to be more equitable to everyone involved—much more so than a flat tax.

Mr. FITZPATRICK. Mr. Chairman, I agree with your concerns in looking into this. Also, I might add that other concerns have been made and stressed in the legislation, including an exemption for excise taxes for truckers owning fewer than five rigs. They are not completely exempt, but there have been some reductions in their share of excise taxes, and postponements.

Senator ABDNOR. Well, I don't want to argue the point. I just want you for a spokesman if this issue becomes too difficult to handle.

Mr. FITZPATRICK. We will be there.

MONITOR TRUCK AND RAIL DEREGULATION

Senator ABDNOR. Now, what else do you hope to accomplish in the next year that would directly benefit the farmers' financial condition? Have we covered it pretty well?

Mr. FITZPATRICK. In addition to the important rural roads and bridge question, we want to continue to monitor the deregulation of the truck and rail situation. I think I agree with your concerns about trucking deregulation. Many things have happened since we did our study in the spring and summer of 1982. That is why we are continuing to monitor the situation and will issue periodic reports notifying the Congress and policymakers, as well as the agricultural producers, of the problems that exist and the changes that might be made to make deregulation work better.

OCEAN TRANSPORTATION

We are also continuing efforts, Mr. Chairman, in the area of ocean transportation. We feel, of all the modes of transportation used by the U.S. farmers, little is known about the ocean leg of the export movement. We feel that it is our responsibility in conjunction with the Secretary's extensive export program to bring more information to the public about ocean rates and the problems with infrastructure and facilities in international transportation. Those are basically the three major ones.

Senator ABDNOR. Very good. Thank you.

[The following questions were not asked at the hearing but were submitted to the Office of Transportation for response for the record:]

OFFICE OF TRANSPORTATION

QUESTIONS SUBMITTED BY SENATOR COCHRAN

ASSISTANCE TO FARMERS

Question: Farm income is at its lowest level since the Great Depression. What has your office done in the past year in the way of contributions toward the improvement of the farm economy?

Answer: The Office of Transportation contributes to the farmers receiving a fair share of the benefits from agricultural commerce both directly and indirectly. Several programs, under the direction of transportation specialists in our office, work directly with farmers, cooperatives, and private firms to lower the costs of transport through better handling methods, reduction of loss and damage, and the design of more efficient container or transport equipment. Results of this government/private coordination are disseminated to interested individuals within each industry. Those programs that are shown to have the greatest potential for lowering transport costs are emphasized. A reduction in transport costs not only means farmers receive a higher price for production but also that markets are expanded, both domestically and internationally.

Examples of direct assistance for farm-to-market transport operations are:

- Design and testing of a railroad cattle car with an on board feed and watering system to reduce cattle fever (shrinkage).
- Design and testing of a cryogenic (carbon dioxide) rail car for frozen food to eliminate costly mechanical refrigeration maintenance and diesel fuel consumption as well as achieve a 25% greater loss/revenue factor.
- Assisting farm supply cooperatives to establish productivity standards for their operations.

From a policy standpoint, economists and traffic management specialists identify, monitor and comment on regulations and legislation that involves agricultural transportation. In certain cases where proposed policy changes could adversely affect the farmer's cost of transportation, the costs are quantified, if feasible.

In 1980, Federal regulation in two major transportation industries, rail and motor carrier, was substantially reduced. We continue to monitor the situation because we believe the full effect of the legislation, especially the Staggers Rail Act, has yet to be apparent. Several other transportation and related policy issues in which the Office of Transportation is actively involved are: rural roads and bridges; coal slurry pipelines; highway, inland waterway, and port user charges; and, cargo preference in ocean shipping.

The Office of Transportation participated in 15 proceedings before the Interstate Commerce Commission (ICC) since October 1, 1981. Our participation involved oral statements at public hearings, as well as written comments to rulemaking proposals or in adversary proceedings. Potential savings to agricultural shippers from these efforts amount to millions of dollars through reduced shipping costs or improved service. In one case, we intervened in support of the Soo Line Railroad when the Burlington Northern Railroad refused to concur in joint rates. Should these joint rates not be available to North Dakota and Minnesota grain producers, shipping costs would increase substantially. In another case, we recommended to the ICC that a mandatory car service rule be retained and modified to eliminate certain per diem charges that would result in higher costs to shippers. Although we are not alone in most of these proceedings, the Department's contribution is appreciated by shipper interests and is given recognition in many of the decisions of the ICC.

Question: What do you hope to accomplish in the next year that would directly benefit the farmer and his financial condition?

Answer: The Office of Transportation expects to be challenged more than ever in the coming year. As the U.S. economy continues to show signs of recovery, demand for rail services will surely test the effectiveness of many of the Staggers' provisions in protecting the agricultural shipper. Our office will be watching the situation closely.

While some programs will be carried from last year to next, a number of new programs will seek to lower the cost of the farmers delivered product. These include:

- Ocean Transport Studies -- a look at our U.S. fleet and cargo preference from agriculture's perspective;
- Cooperation in a Port Labor/Management congestion reduction program; and
- A committment to ensure the ATP agreement is successfully implemented.

Question: I understand the Office of Transportation completed a major study which was requested by several regional cooperatives to help them reduce the transportation costs of farm products. What was the outcome of this study?

Answer: The study covered both the inbound and outbound transportation functions as well as the many warehousing functions performed by each of the farm supply cooperative's distribution centers. Since the transportation and warehousing functions are closely linked, the determination was made that the study of one without the other was not effective. The study thus centered upon the transportation and warehousing functions of eight regional farm supply cooperatives operating a total of 29 distribution centers with service to 6,400 retail cooperatives in 41 of the 48 states of the continental U.S.

Among the conclusions of the study were the following:

- Despite the variety of approaches used by the cooperatives in their own initial efforts to develop productivity measurements, it is possible to develop a number of industry-wide measures.

- The use of these measures both financial and physical, will enable the cooperatives to compare and evaluate their individual performances against those of other cooperatives in the study. At the same time, it will enable each cooperative to evaluate its own performance over time.

- Finally, the study revealed that there is ample opportunity for increasing productivity and, thus, reducing costs, and most importantly, there is great interest among the cooperatives to improve their productivity.

Question: Were you successful in finding ways to reduce transportation costs?

Answer: The answer is yes. OT researchers are now working with representatives of the study cooperatives to implement an initial phase of financial and physical productivity measures which will all have a common base.

ASSISTING EXPORTS

Question: According to your notes, particular emphasis is being placed in assisting all governmental agencies, farmers, exporters and transportation companies involved with the export of our agricultural products to make us more competitive. Please define more specificlly your role in this regard. Will you be working with any other Federal agencies in this?

Answer: Essentially we attempt to expedite and facilitate the development of both existing international markets and new ones. Some of our roles include:

- Consulting with exporters on ocean and air freight problems in an effort to expedite their accessing overseas markets;

- Studying and analyzing foreign shipping costs from the U.S. to foreign ports;

- Conducting export transportation conferences involving both the private trade sector and other Federal and state agencies. Whenever possible we cosponsor these functions with non-government groups in order to develop a well balanced informative and provocative program;

- Publishing several directories and a monthly report (sample enclosed); and

- Maintaining close working relations with transportation agencies keeping abreast of development which could assist or impair U.S.-export expansion efforts.

Specific ongoing programs include:

International Carriage of Perishable Foodstuffs Act (P.L. 97-325). The objective of the Act, administered by the USDA, is to improve the conditions for the movement of perishable foodstuffs in international carriage in equipment owned or operated by United States firms, which will serve to protect existing trade and promote expansion of trade in perishable foodstuffs, and will improve the sale of United States manufactured equipment for use in international carriage.

Overseas Movement of Livestock by Sea and Air. The Office of Transportation, in cooperative work with the Animal and Plant Health Inspection Service (APHIS) and transportation companies, is helping to develop equipment, methods, and guidelines for loading and transport of breeder and slaughter animals in export movements.

Storage and Transport of Soybeans in Containers. An exploratory study is underway in cooperation with a firm in Maryland to store soybeans on the farm in 20-ft International Standards Organization (ISO) type containers, and to ship the soybeans in the same containers without transloading the product. The goal is to deliver soybeans without the product damage and quality change that occurs in the conventional handling system.

Ocean Transport Study. A transportation contract study with an outside firm to assess the ocean industry's capability to handle agricultural exports to the year 2000 and analyze cargo preference requirements applicable to all agricultural exports particularly P.L. 480 (Food for Peace) programs.

Mexican Transportation Situation. Facilitate the transportation of grain to Mexico by providing daily coordination of traffic moving through US/Mexican border crossings.

Assistance to the Peoples Republic of China. We are working with the Peoples Republic of China and others to assist in the development of their ports and to expedite grain handling.

During the coming year we are planning to:

- Develop specific assessments on the cost of transportation of both bulk and nonbulk agricultural exports to determine possible disparities or discriminatory practices which affect U.S. export trade. This will involve discussions with exporters, carriers and, if appropriate, with carrier conferences;
- Conduct a west coast export seminar in late June to focus on major trade and transportation developments;
- Update our service directories in order to provide the most current services available for use by potential and current exporters.

US-MEXICAN TRADE

Question: According to your notes, you were requested by the U.S. and Mexican governments and industry to provide assistance when agricultural commodities are purchased by Mexico. Specifically, what role did the Office of Transportation play in this regard?

Answer: The bilateral agreement between the United States and Mexico established a transportation working group for the purpose of coordinating food and agricultural shipments to Mexico.

At the policy level, Assistant Secretary McMillan and I meet regularly with Jose Ernesto Costamalle, Director General of Conasupo, the Mexican food agency responsible for importing Mexico's food requirements, Eduardo A. Cota, Director General of the Mexican National Railways and sub secretaries from the Departments of Commerce, Agriculture, and the Department of Communications and Transportation.

At the operating level, both Mexico and the United States have appointed border coordinators to carry out the day to day coordination of shipments moving into Mexico and the return of empty equipment to the United States.

Under current plans, Mexico will purchase between 7.5 and 10 million metric tons of agricultural products this year. Many problems occur at the border in moving large volumes. Congestion at the border, or congestion at the receiving facilities in Mexico, must be avoided. Delays in providing the necessary documentation, such as inspection certificates, customs clearances, and sanitary certificates can and do cause delays in moving the products into Mexico.

Other problems arise involving the immigration of Mexican inspectors to inspect cars near the border, etc.

The role played by OT is that of coordinator for the U.S. side in seeing that these shipments are imported into Mexico with a minimum of expense and delay. We work directly with officials at the border crossings on both sides of the border, including railroads, inspection agencies, customs, immigration, and freight forwarders. At bimonthly meetings actions needed to provide a smooth flow of traffic in both directions are discussed. A copy of the agenda subjects which were discussed at such a meeting in Laredo, Texas, on February 25, 1983, is attached. Our role will be a continuing one as long as Mexico requires substantial imports of U.S. agricultural products.

TRAVEL COSTS

Question: You are requesting $69,000 for travel in fiscal year 1984. Please describe for the Committee the type of travel that is required by the Office of Transportation.

Answer: The Office of Transportation functions are to administer and coordinate the transportation programs of USDA to assure an efficient domestic and international transportation system for U.S. agricultural products. This assistance requires travel to localities within the United States to assist farm organizations, producers, shippers, agri-business and state and local governments in solving or suggesting alternatives to their transportation problems. Also, travel is expected to Mexico in connection with the Mexican Sales Agreement; to Europe involving the International Carriage of Perishable Foodstuffs Act (ATP); to Europe on maritime affairs in cooperation with Foreign Agricultural Service (FAS); and other international destinations as test shipments are conducted to evaluate livestock and/or agricultural commodities being exported. Researchers are also required to travel to consult with officials in private industry who may be providing assistance on projects and to collect data for economic analyses.

EQUIPMENT PURCHASES

Question: In Fiscal Year 1982 you used $100,845 for equipment, in Fiscal Year 1983 $26,000, and you are requesting $29,000 for Fiscal Year 1984. What type of equipment is being budgeted for Fiscal Year 1984?

Answer: The equipment for which the $29,000 is budgeted consists of:

Testing equipment for transport of livestock	$ 6,000
Testing equipment for air shipments of bees	4,000
Office equipment - memory typewriters	10,000
Data processing equipment	9,000
Total	$29,000

Question: For the record, please provide justification of the equipment requested for Fiscal Year 1984 and compare that to Fiscal Year 1982 and 1983.

Answer: The Office of Transportation is about 5 years old. Therefore, equipment purchases in the first several years were necessary to start up the Office. Subsequently, equipment expenses have decreased substantially as OT now has an adequate equipment to provide necessary tests and economic analysis. The request for Fiscal Year 1984 will update equipment needed for new initiatives and to update office equipment to a more efficient level.

REQUESTS FOR ASSISTANCE

Question: You indicated in your notes that personnel in the Office of Transportation handled over 4,000 "one-on-one" requests. What do you mean by this?

Answer: I am proud to report that in the 5 years since the Office of Transportation was formed, public acceptance of our activities has grown measurably. Our work in technical assistance, research, regulatory matters, economic analyses and information dissemination has gained us considerable recognition and respect. This in turn has generated a substantial volume of requests for information and assistance. These requests come from agricultural shippers, trade associations, carriers, equipment manufacturers, bankers, the press, academics, researchers, other government agencies, including the Congress, and many more. Although only a small percentage of our requests come directly from producers, all requests involve some activity that will benefit agriculture in a direct or indirect manner. The subjects of these requests are quite diverse. A few examples are: seeking a better deal on rail rates for western Virginia cooperatives; updating the abandonment status on a particular rail line; providing support in an ICC proceeding; determining how much export grain is moving by barge; determining the feasibility of upgrading a particular country elevator to sub-terminal status or opening another export elevator in California; determining the effect of another truckers strike on the food supply; and providing assistance in ironing out the transportation difficulties between the United States and Mexico.

FUNCTION OF BELTSVILLE, MARYLAND OFFICE

Question: The functions of the Office of Transportation are carried out by technical and administrative staff located in D.C. and Beltsville. Please describe the functions of your personnel in Beltsville.

Answer: The Transportation and Packaging Research Branch at Beltsville conducts basic and applied research to develop improved equipment and techniques for domestic and overseas transport of agricultural products, with the objective of reducing product losses in transit and improving the efficiency of the transport system. The work is done with the active cooperation of industry, including shippers, carriers, equipment manufacturers, and receivers, and these organizations generally provide transport equipment and food products required for tests and experiments at no cost to the government for those resources.

Following are three examples of current projects, which illustrate the type of research done:

Liquid Carbon Dioxide (CO_2) Refrigerated Railcar. The American Frozen Food Institute raised $300,000 from industry to construct an experimental railcar refrigerated by CO_2 to transport frozen foods, the objective being to replace mechanically refrigerated cars with a less expensive and more reliable type of refrigeration. Researchers from Beltsville are participating in evaluation of the car with commercial shipments of frozen food.

Cattle Car with Onboard Feed and Water. In a cooperative project between Texas A&M University, a cattle shipper, a car builder, and Beltsville researchers, an experimental railcar with onboard feed and water systems for cattle has been developed and is being tested. The objective is to reduce the loss of animals from stress and health factors which now occur in shipment by highway.

Shock and Vibration in Trailer--on--Flatcar (Piggyback) Transport. In cooperation with the American Association of Railroads, Beltsville researchers are developing a project to measure shock and vibration in piggyback movements to determine relation to damage of product which now occurs. The objective is to improve trailer design, packaging, and loading and bracing methods to reduce such damage.

The staff at Beltsville consists of 11 persons: 1 Mechanical engineer, 1 agricultural engineer, 1 general engineer, 3 agricultural marketing specialists, 1 economist, 1 engineering technician, 2 secretaries, and 1 clerk typist.

ASSESSMENT OF REGULATORY REFORM

Question: The Office of Transportation completed a major assessment of the impacts on agriculture of rail and motor carrier regulatory reform. Will you please outline your findings for us?

Answer: The Office of Transportation released its report assessing the impacts of nearly 2 years of rail and motor carrier deregulation on agriculture last August.

The study indicates an almost universal perception by agricultural carriers and shippers that the effects of the Motor Carrier Act of 1980, which deregulated the trucking industry, have been beneficial.

Among the more significant effects of the Staggers Rail Act of 1980, which deregulated the railroads, are:

- more direct marketing from country points to points of use of grain;
- more expansion of facilities at country points to accommodate larger shipment sizes;
- more search into routings, market outlets and origin territories by shippers and receivers to make sure that trade arrangements and relationships are efficient; and
- more assumption of risks by grain firms.

The team of researchers--which included USDA personnel and university economists from all over the country--gathered input from all agricultural interests. They concluded that while there are some legitimate concerns about the freedoms given to railroads by the Staggers Act, there have been many positive effects.

Because of the influence of other economic conditions, however, it is too early to predict the ultimate effects of these changes on farmers as well as domestic and foreign consumers.

The study, however, does make several recommendations, including:

- The Interstate Commerce Commission should expand the type and amount of information it releases on rail contracts, request the Congress to provide guidance in this matter, or assume the responsibility for ensuring that rail contracts are nondiscriminatory.
- Because of the complex nature of rail cost information needed by shippers in initiating cases of rail market dominance, there is need for an organization to perform the function of providing information to assist agricultural and other shippers in understanding and estimating railroad variable costs. The ICC, USDA, and other appropriate agencies should develop and distribute such materials. One possibility is to activate the Railroad Accounting Principles Board authorized by the Staggers Act.
- There remains considerable confusion regarding the legal position of small shippers to bargain collectively with railroads in negotiating a multiple-shipper contract. The USDA strongly believes that small and medium-sized shippers should be permitted to bargain collectively with railroads, and intends to ask the ICC and the Department of Justice for clarification of this issue.

Question: What was the cost of this study?

Answer: The total cost of the assessment was $44,570. This does not include the cost for time spent on the assessment by OT personnel.

Question: Were any non-Federal funds used in this study?

Answer: There were no non-Federal funds used for this assessment.

FY 1984 BUDGET

Question: Since the Office of Transportation was established in December, 1978, it has had only slight increases in its appropriations. Again this year you are only requesting an increase of $107,000, which is primarily for the absorption of fiscal year 1983 pay costs. Are these funds sufficient to carry out the mission and activities of the Office of Transportation?

Answer: The modest increase requested is sufficient to retain our current staff of professionals and will enable us to carry out the missions of the agency. Primary emphasis will be placed on one on one requests for assistance.

Question: Over half of your budget request goes for personnel compensation benefits - $1,872,000. The next biggest item is $409,000 for "other services." What is included in "Other Services?"

Answer: The breakdown of "other services" is as follows:

Reimbursements and advances to other Government agencies	$395,000
Other services such as training, equipment repair, data processing, conference registration fees, maintenance agreements and other miscellaneous services	13,500
Total	$409,000

FY 1984 RESEARCH PROJECTS

Question: How much money is proposed to be spent on research projects in fiscal year 1984?

Answer: $1,208,500 is proposed for research projects in FY 84.

Question: What projects are contemplated and what will be the federal and non-Federal contributions to these projects?

Answer: We plan to work on sixteen projects. These projects and their source of funding are as follows:

Project Name		FY 1984	
	Federal	Non-Federal	Total
	$	$	$
1. Energy-Efficient Transportation System	112,400	200,000	312,400
2. Transportation of Bees	50,000	16,500	66,500
3. Livestock, Transportation by Land, Sea and Air	99,000	92,000	191,000
4. Implementation of the ATP Act	85,000	250,000	335,000
5. Improving Refrigerated Transport of Perishables	160,000	70,000	230,000
6. Van Containers for Soybeans	30,000	10,000	40,000
7. Multi-temperature Vehicle	40,000	13,500	53,500
8. Increasing Exports of Frozen Poultry and Meat	95,000	37,200	132,200
9. Standard Packaging for Fruits and Vegetables	46,500	18,500	65,000
10. Rural Roads and Bridges	83,000	38,000	121,000
11. Agricultural Logistics Information System	98,200	-	98,200
12. Tram Data Analysis	50,400	-	50,400
13. User Fees	74,000	36,000	110,000
14. Deregulation Monitoring	80,000	22,000	102,000
15. FAS - Ocean Studies	55,000	17,000	72,000
16. Case Studies to Reduce Landed Costs of U.S. Agricultural Exports	50,000	20,000	70,000
TOTAL	$1,208,500	$ 840,700	$2,049,200

QUESTIONS SUBMITTED BY SENATOR EAGLETON

NEW RESEARCH

Question: In fiscal year 1984, does OT plan to initiate any new research projects, and what proportion of these projects will be economic as opposed to projects such as the experimental rail car?

Answer: OT will be initiating a new research project which will involve "Case Studies to Reduce Landed Costs of U.S. Agricultural Exports." This study will concentrate on economic analyses, although some technical analysis may very well be required.

It should be noted that the former distinction between economic and technical research in OT is undergoing a change. For example, the experimental rail car, both the livestock rail car with on-board feed and water facilities and the cryogenic rail car to be used for long haul transport of frozen foods, will involve both an economic evaluation as well as a technical evaluation. It is not enough to develop a new improvement in transportation which performs well engineering-wise but may be totally unacceptable by industry because the bottom line may show it to be unprofitable in comparison with other alternatives.

CONTRACTUAL ACTIVITIES

Question: What proportion of the proposed FY 1984 budget for OT will be spent on contractual activities, and in what specific areas do you expect to seek contractual assistance?

Answer: We do not anticipate much need for outside contractors to provide asssistance to OT in FY 1984. If contract services are required, they will consist of services to provide necessary testing of equipment under the terms of the ATP treaty.

WATERWAY USER FEES

Question: Was the OT involved in reviewing or making policy recommendations as to the impact of waterway user fees on the agricultural sector? If so, what were your recommendations?

Answer: The Office of Transportation did review the so called "205 Report" prior to release to the public. We made a further analysis of the various methods proposed to recover the cost of operation and maintenance (O&M) of the inland waterway system. Based on our computations we concluded that a system-wide fuel tax would be the most equitable method to recover O&M costs.

This Office supports the concept of user fees on the inland waterway system. Our efforts have been in the area of attempting to devise and implement a recovery method that would be phased in rather than the full amount being imposed in the first year it becomes effective. It is our opinion that such a course of action will minimize the impact of waterway user fees on agricultural shippers.

CONTAINER TESTING AND CERTIFICATION

Question: How much will be spent by OT in FY 1984 on the testing and certification of containers for use in Europe?

Answer: It is anticipated that $85,000 will be required in FY 1984 for personnel, travel, printing, and other services to handle the ATP program.

U.S. EXPORTS

Question: Please provide specific examples of work that is planned which is aimed at assisting U.S. producers to increase exports of agricultural commodities.

Answer: Essentially we attempt to expedite and facilitate the development of existing international markets and new ones. Some of our roles include:

- Consulting with exporters on ocean and air freight problems in an effort to expedite their accessing overseas markets;
- Studying and analyzing foreign shipping costs from the U.S. to foreign ports;
- Conducting export transportation conferences involving both the private trade sector and other Federal and state agencies. Whenever possible we cosponsor these functions with non-government groups in order to develop a well balanced informative and provocative program;
- Publishing several directories and a monthly report; and
- Maintaining close working relations with transportation agencies keeping abreast of developments which could assist or impair U.S.-export expansion efforts.

During the coming year we have planned the following:

- Develop specific assessments on the cost of transportation of both bulk and nonbulk agricultural exports to determine possible disparities or discriminatory practices which affect U.S. export trade. This will involve discussions with exporters, as well as carriers individually and, if appropriate, through their conferences;
- Conduct a west coast export seminar in late June to focus on major trade and transportation developments; and
- Update our service directories in order to provide the most current services available for use by potential and current exporters.

In addition, the Office is currently involved in several other activities:

- We are awarding a contract with an outside firm to study the ocean industry's capability to handle agricultural exports to the year 2000 and analyze cargo preference requirements applicable to all agricultural exports particularly P.L. 480 (Food for Peace) programs;
- We are providing expertise to facilitate the transportation of grain to Mexico; and
- We are working with the Peoples Republic of China and others to assist in the development of their ports and to expedite grain handling.

PACKERS AND STOCKYARDS ACT AMENDMENTS

Senator ABDNOR. I see we have a vote on, but we have just a few more minutes. I don't want to hold you people up. I just couldn't let Mr. Jones leave without asking at least one question.

I think we are all happy that we are doing as well as we are with those 1976 amendments to the Packers and Stockyards Act. Do you think much more needs to be done to that legislation? This past year, because of the bind ranchers and farmers are in, we still have some fraud in the stockyards.

Mr. JONES. I suppose I could say, Mr. Chairman, that has been one of my disappointments, in coming to realize that many operators in some sectors aren't as sophisticated or ethical as we would expect them to be.

In answering your question on amendments to the Act, we would not advise any amendments to the Act at the present time.

Senator ABDNOR. You have the tools you need?

Mr. JONES. In the meat area, we do.

Senator ABDNOR. That is important.

BUDGET REQUEST

Your budget request for fiscal year 1984 is approximately the same as the fiscal year 1983 level. That is correct; isn't it?

Mr. JONES. Yes, sir.

Senator ABDNOR. Do you think this is sufficient to carry out the mission and your responsibilities?

Mr. JONES. Mr. Chairman, I suppose that P&SA is something like a rancher; we could always use more and more money. At this level, however, we can operate effectively. By improving efficiency within the agency through automation and redirection of some of our resources to the more serious cases, we will be able to do an adequate job. We will be able to increase efficiency and thus get more mileage,

Senator ABDNOR. I guess what I was referring to was that in your explanatory notes you indicated that several of your activities will be continued according to the allocation of available funds. I hope that doesn't mean this budget is going to force you to cut back on some areas that you feel are worthwhile.

Mr. JONES. No; it does not. We will redirect some of the resources, but not cut back in the major areas.

[The following questions were not asked at the hearing but were submitted to the Packers and Stockyards Administration for response for the record:]

PACKERS AND STOCKYARDS ADMINISTRATION

QUESTIONS SUBMITTED BY SENATOR COCHRAN

BUDGET REQUEST

Question: Your budget request for Fiscal Year 1984 is approximately the same as the Fiscal Year 1983 level.

Do you feel this is sufficient to carry out the mission and activities of the Packers and Stockyards Administration?

Answer: The amount requested for fiscal year 1984 will be sufficient to meet the agency's responsibilities under the Packers and Stockyards Act. The current efforts to improve efficiency through automation will be helpful in meeting our objectives in fiscal year 1984 with approximately the same budget.

Question: According to your Explanatory Notes, you indicate that several of your activities will be continued according to the allocation of "available resources."

Is your constant budget hampering some of your priorities? Please explain.

Answer: The budget request for fiscal year 1984 will not hamper agency activities nor will it prevent efforts in redirecting our resources to the more serious violations of the Act. Major emphasis will be given to investigating fraudulent practices, commercial bribery and illegal brokerage and those practices which may have a deleterious effect on competition.

PROGRAM EFFICIENCIES

Question: I understand the Packers and Stockyards Administration is improving its efficiency through automation.

What programs have been automated up to this time?

Answer: Packers and Stockyards Administration is pursuing phased development and implementation of two distinct automated information systems. They are (1) public notice, and (2) jurisdictional. The public notice system will identify appropriate recipients of different classes of public notices of agency regulatory actions, and will address notices to those recipients. The jurisdictional system will identify individual livestock, poultry and red meats marketing firms subject to regulation by the agency, provide specific information on the status of those firms essential in performing regulatory functions, and provide information on the status of specific regulatory actions of the agency involving one or more of those firms.

Each system is partially operational. Development of system components and personnel training needed for partial implementation will be completed in fiscal year 1983, basic equipment and related software will be in place in the 12 regional offices and in Washington management units, and all units will be integrated via a distributive telecommunications network.

Question: What programs will be automated in Fiscal Year 1984?

Answer: Final development and implementation of each system will be completed in fiscal year 1984. Regional offices will have access to pertinent parts of agency-wide files, permitting each to assume added responsibility for regulatory initiatives in assigned geographic areas with minimal but effective overview by the Washington office.

Question: What are the costs associated with automation? What are the savings?

Answer: Costs: Estimated costs are: (1) Systems Development - $50,000; (2) Capital Equipment - $400,000; (3) Initial Operating Costs, 1983 - $59,000; and (4) Annual Operating Costs, 1984 and beyond - $98,000.

Savings: Savings to offsetting costs enumerated are in the following eight principal types of services or supplies: (1) clerical, (2) secretarial, (3) management, (4) telephone, (5) paper and copying, (6) travel, (7) postage, and (8) printing. Savings will accrue primarily as a result of reductions in time and related services used in entering information into a non-automated system; and in editing, correcting and retrieving that information. It is estimated that annual savings will exceed annual operating costs and amortized capital and development costs. At the same time, effectiveness in carrying out the satutory mission of the agency will be improved.

MEAT MARKETING

Question: You indicated that the Packers and Stockyards Administration conducted 19 investigations of alleged bribery and illegal brokerage schemes by meat packers in Fiscal Year 1982.

How do these incidents come to your attention?

Answer: Bribery and illegal brokerage schemes in the meat industry are brought to the agency's attention primarily by competitors whose businesses are being adversely affected by such practices. Other sources of information include routine record examinations, other Government agencies and meat buyer employers.

Question: To what extent does the Packers and Stockyards Administration personnel participate in the investigations once a packer/broker has been indicted?

Answer: Packers and Stockyards Administration personnel usually become involved prior to an indictment. The indictment is normally the result of an investigation conducted by P&SA. In such cases, P&SA personnel assist the U. S. Attorney in preparation of the case and provide expertise on industry custom and practice. Assistance is also provided in drafting the indictment, preparing exhibits for the trial, and providing testimony during the trial.

PACKER TRUST

Question: In your statement, you discuss litigation involving the statutory trust provision. How much, if any, of the costs of this litigation was borne by the Packers and Stockyards Administration?

Answer: The agency does not incur any direct costs as a result of litigation of statutory trust cases. The primary role of the agency in such cases is to advise and assist attorneys in the Office of the General Counsel in preparing briefs for the courts. The agency does, of course, have direct responsibility for conducting investigations of meat packers failing to pay cash sellers of livestock and the investigative costs incurred are direct costs of the agency.

POULTRY MARKETING

Question: Some experts predict that consumption of poultry will continue to increase in the next few years, and that chicken especially will capture an increasingly larger portion of the meat market. Already, fiesty competition and advertising is being seen among various producers and suppliers. Have any special problems stemmed from this increased market for chicken, and are there plans to monitor this particular market more closely?

Answer: The poultry industry is undergoing continuing changes as it moves from the marketing of traditional ice pack commodity type product to name brand, prepackaged and further processed product. The agency will continue to be aware of changes in market conditions that may give rise to practices which could be in violation of the Packers and Stockyards Act. At the present time we have no evidence of any special problems or practices which would be in violation of the Act as a result of the increased market for poultry.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

BUDGET REQUEST

Question: The notes indicated that you intend to spend in excess of $200,000 for object class 31, equipment. What type of equipment do you intend to purchase in FY 1984 and for what purpose will it be used?

Answer: Some of the amount allocated for equipment in the fiscal year 1984 budget request will be used to continue automation of some programs. This includes additional ADP equipment, both hardware and software, which will improve the efficiency of agency personnel and investigative procedures. There is also a need to replace some old microfilm equipment in several of our field offices.

Question: The notes indicated that in fiscal year 1984 the agency's travel budget will be more than twice what it was two years ago and is equal to almost $4,000 for every permanent position in the agency.

Why has the travel budget for the agency increased so substantially over fiscal year 1981?

Answer: During fiscal years 1981 and 1982 the agency was operating under serious travel restrictions. Due to the number of personnel employed by the agency at that time, it was necessary to impose travel restrictions in order not to exceed agency funding. The increase in travel funds is the result of easing restraints that were imposed during fiscal years 1981 and 1982. Since the number of personnel employed by the agency was reduced in March of 1982, the percentage of travel expenditures has increased. The amount provided for travel in the fiscal year 1984 budget request should be adequate for the agency's travel needs. The agency continually reviews its travel policies and practices to be certain that travel funds are judiciously handled.

Question: What accounts for such a high level of travel expense per staff position?

Answer: Travel is a necessary part of conducting investigations under the Packers and Stockyards Act. In order to conduct investigations under the provisions of the Act, it is necessary that agency investigators spend a substantial amount of time in travel status. In general the amount allocated for travel during fiscal year 1984 will provide between $375 and $400 per month for each position requiring travel. This will not be excessive considering the amount of travel required to conduct investigations.

Question: What proportion of travel is spent by the field staff and how much specifically is reserved for national office staff travel?

Answer: Approximately 85 percent of the travel costs are incurred by field personnel in conducting investigations.

Question: What proportion of your budget do you expect to spend for outside contractual services in Fiscal Year 1984 and for what activities will contracts be let?

Answer: Only a small amount of the agency's 1984 budget request will be used for outside contractual services. The agency does not use outside contractual services for any program activities. Only certain support services such as equipment maintenance are obtained by contract from outside sources.

AGENCY ACTIVITIES

Question: How much of the agency's resources will be allocated to each of its primary responsibilities and how does this compare with the level of activities for each in fiscal year 1982 and 1983?

Answer: During fiscal year 1984, the agency will continue its efforts to redirect resources to the major marketing channels. As changes are made in livestock, meat and poultry marketing, more resources will be devoted to direct marketing investigations. This change in emphasis is designed to put the focus where the marketing volume and problems exist. Approximately 55 percent of the fiscal year 1984 budget requested will be devoted to packer and poultry activities and 45 percent to livestock marketing activities. This compares to about 50 percent in each during fiscal year 1983. About 45 percent of the agency's resources went for packer and poultry activities in 1982 and about 55 percent for livestock marketing

Question: What proportion of your investigative activities are self-initiated and what proportion are the result of specific complaints? How does this compare with activities carried out in fiscal year 1982?

Answer: About 50 percent of the agency's investigations are self-initiated and about 50 percent are initiated based on specific complaints. This ratio would be the same for fiscal year 1982.

Question: What is done by the agency to insure that livestock producers are aware of the protections they are afforded under the Packers and Stockyards Act and the investigative activities of the agency?

Answer: Personnel from the agency attend state, regional, and national livestock producer association meetings to discuss the provisions of the P&S Act. The agency issues a factual press release when an administrative complaint is issued alleging violations of the P&S Act and when a final order of the Secretary is issued. When significant changes are made in the P&S Act or regulations, a major effort is made to inform the livestock, meat, and poultry industries. Agency personnel are frequently interviewed by farm editors of newspapers, trade magazines, and radio and TV stations. News releases are also issued and distributed to farm and livestock editors of newspapers, trade magazines, and radio and TV stations on a national basis.

Question: What percentage of complaints received did you investigate in Fiscal Year 1982, and what percentage do you expect to investigate in Fiscal Years 1983 and 1984?

Answer: In fiscal year 1982, the agency investigated approximately 70 to 75 percent of the complaints received. In fiscal years 1983 and 1984 it is estimated that approximately 85 to 90 percent of the complaints received will be investigated. Priority will be given to investigating the more serious complaints.

GRADE AND WEIGHT

Question: The notes express concern that hog producers seldom understand the differences in the three basic value determining factors used by major hog slaughterers and that a comprehensive review of procurement programs is under way. Please provide some further explanation of this as to what impact this would have on hog producers and what is being done to work with pork producers to improve their understanding of value-determining factors?

Answer: The purchase of hogs on a carcass grade and yield basis is steadily increasing. Major packers procure approximately 20 percent of their slaughter requirements in this manner. Differences in the three basic value determining factors, i.e., base price, standard yield, and grade adjustments utilized by hog slaughterers are seldom understood by hog producers and make it impossible for many producers to determine where to market their hogs for the best return. The National Pork Producers Council established a task force to review this problem and the American Farm Bureau Federation petitioned the Secretary to have the problem reviewed by USDA. Ideally, a packer grade and yield or merit program for slaughter hog procurement should provide incentive to the producer to produce and market superior quality hogs. This is the goal of all parties interested in this problem, including the agency. If this goal is realized, the producer, the packer, and the consumer will all benefit. Our goal is to assist the industry in achieving simplification and standardization of the packers' programs so that the farmer-producer can adequately compare bids and make sound marketing decisions.

SUBCOMMITTEE RECESS

Senator **Abdnor**. Gentlemen, I could go on, but I am sure you all have work you would like to get back to. I might say that Senator Cochran and Senator Eagleton will probably have additional questions for the record. We appreciate the time that you have spent with us today, gentlemen.

The next meeting of the subcommittee will be Thursday, March 3, at 9:30 a.m., in this room. We are going to hear witnesses from the Animal and Plant Health Inspection Service, the Food Safety and Inspection Service, and the Federal Grain Inspection Service.

With that, the subcommittee stands in recess.

Thank you.

[Whereupon, at 10:42 a.m., Tuesday, March 1, the subcommittee was recessed, to reconvene Thursday, March 3, 1983, at 9:30 a.m.]

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MARCH 3, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:39 a.m. in room SD–124, Dirksen Senate Office Building, Hon. Thad Cochran (chairman) presiding.

Present: Senator Cochran.

DEPARTMENT OF AGRICULTURE

FOOD SAFETY AND INSPECTION SERVICE

STATEMENTS OF:

C. W. McMILLAN, ASSISTANT SECRETARY FOR MARKETING AND INSPECTION SERVICES

DONALD L. HOUSTON, ADMINISTRATOR, FOOD SAFETY AND INSPECTION SERVICE

JAMES O. LEE, JR., ACTING ADMINISTRATOR, ANIMAL AND PLANT HEALTH INSPECTION SERVICE

KENNETH A. GILLES, ADMINISTRATOR, FEDERAL GRAIN INSPECTION SERVICE

ACCOMPANIED BY ROBERT E. SHERMAN, DEPUTY BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. The subcommittee will come to order.

We welcome today the Assistant Secretary of Agriculture Bill McMillan and representatives of three agencies under his purview at the Department of Agriculture. We have Donald L. Houston, Administrator of the Food Safety and Inspection Service; James O. Lee, Jr., Acting Administrator of the Animal and Plant Health Inspection Service; Kenneth A. Gilles, Administrator of the Federal Grain Inspection Service; and Bob Sherman, Deputy Budget Officer for the Department.

We welcome all of you to this hearing. We will proceed with one panel and take statements from each of you. After each has made a statement, I may have some questions. Then you will be free to go, because we know you have other responsibilities at the Department.

The statements that you have provided to us, which we thank you for very much, will be made a part of the record. We would encourage you to make summary comments or abbreviated statements from your prepared remarks.

The first agency we will hear from will be the Food Safety and Inspection Service (FSIS). This agency is responsible for insuring that the Nation's commercial supply of meat and poultry products is safe, wholesome, and correctly labeled and packaged. It conducts inspections of meat and poultry during slaughtering and processing operations prior to the marketing of these products to the public. The budget request is $333.7 million, an increase of $5.6 million over the fiscal year 1983 level, including supplementals.

Mr. Secretary, welcome. You may proceed.

Mr. McMillan. Thank you very much, Mr. Chairman. I personally have no statement to make. I think in the interest of time, we will proceed with the format you have outlined and ask Dr. Houston to make his presentation first.

Senator Cochran. Fine, thank you.

Dr. Houston?

FOOD SAFETY AND INSPECTION SERVICE

Dr. Houston. Thank you, Mr. Chairman. I will briefly summarize our statement for the sake of time, since you have made it a part of the record.

[The statement follows:]

STATEMENT OF DR. DONALD L. HOUSTON

Mr. Chairman, I am pleased to return to this committee to discuss the FY 1984 budget for the Food Safety and Inspection Service.

FSIS is an agency in progress. We have continued our programs to modernize in-plant inspection, make the label approval process less cumbersome, facilitate trade abroad, and minimize illegal residues. However, at the same time we are carrying out our traditional inspection activities which assure that meat and poultry products moving in interstate and foreign commerce are safe, wholesome, and properly labeled.

In FY 1982, we inspected 36 million cattle and calves, 81 million swine, and over 6 million goats, sheep, lambs, and equines. Of these, less than one-half of one percent, or 466,000 head, were condemned. We also inspected 4.5 billion birds, including young and mature chickens, turkeys, and ducks. Forty-three million birds -- less than one percent of the total inspected -- were condemned. In the processing area, 66 billion pounds of meat products and 38 billion pounds of poultry products were inspected.

In addition, FSIS personnel reviewed 130,000 meat and poultry product labels, 2,823 blueprints of plant facilities, and 1,889 drawings of equipment specifications. Our scientists analyzed 195,000 meat and poultry samples to make such determinations as product species, the presence of food additives, residues, and disease.

But our responsibility does not end at the packing house, the processing plant, or the laboratory. FSIS compliance officers enforce the Federal inspection laws throughout food distribution channels, including the storage, transportation, and distribution of meat and poultry products. In FY 1982, the Agency initiated 651 detention actions involving over 6.7 million pounds of suspect meat and poultry product. We monitored nine recalls of nearly 312,000 pounds of product. Another 31,000 pounds were seized in four court actions initiated by the Agency.

In concert with these efforts, we also work closely with USDA's Office of the Inspector General to uncover and eliminate any criminal activity that would undermine the integrity of America's meat and poultry supply. In FY 1982, this resulted in five injunctions and 33 prosecutions. A recent example involved clandestine meat trade in central Pennsylvania and the Philadelphia area. In that case, five individuals were indicted by a Federal grand jury for conspiracy to slaughter and transport cattle considered unfit for human food. When the problem became known, FSIS immediately took control of the suspect beef and augmented normal inspection procedures to assure that adulterated or misbranded meat intended for human consumption was not distributed. Over the several months it took to amass sufficient evidence, FSIS and OIG conducted a diligent and thorough investigation into these activities.

We are proud to have accomplished these objectives within our allotted budget. We have demanded a great deal from our own staff as well as the industry. The cooperation we have received from both has enabled us to continue our achievements.

Repeatedly we see the importance of this cooperative effort in meeting our goals. The poultry inspection improvements now in effect and the further developments now in the testing stage can be successful only because the industry presents us with clean, healthy flocks. Our quality control program can improve processing inspection only if firms join the voluntary program. Our program to avoid residues can be effective only if farmers see their role in residue control.

We will continue to build an exemplary inspection program while controlling our costs. We are proposing no program increases, although this does not mean our program will remain static. We will continue to use our budget in the most effective and efficient way possible.

While we improve our program without additional resources, we will again be calling on industry to do its part. For example, greater efficiencies in the inspection of red meat slaughter operations will require industry to develop effective quality control programs for carcass cleanliness. We are confident we will receive continued private sector support.

1984 BUDGET REQUEST

For FY 1984, we are requesting a maintenance budget which will enable us to maintain our FY 1983 level of activity. We are proposing no program increases and have determined no additional staffing is required. Our 1984 request totals $333,596,000. This is a net increase of $5,866,000 over the adjusted FY 1983 appropriation.

The additional funds requested are essential if the Agency is to continue its present level of inspection. The increase will provide funds to: cover costs such as workmen's compensation, relocation allowances, health benefits, inspector travel costs, unemployment compensation for former employees, and other nonsalary operating costs; and inflationary increases in Grants to States.

Absorption of these costs would require reductions of more than 200 staff years in the Federal inspection program. This would seriously impair our ability to carry out an inspection program that assures the public of a wholesome meat and poultry supply.

Our budget request includes a reduction of $2,000,000. This represents the first full year saving associated with proposed legislation that would permit the Secretary to use greater discretion in determining the intensity of inspection in individual processing plants.

AREA AND REGIONAL OFFICE STUDY

As requested by Congress last year, the Agency has kept open the remaining 27 area offices along with our five regional offices.

FSIS has initiated a detailed study to assess the effects of the earlier closings of area offices and to examine alternatives for reorganization of the inspection field structure. Part of the study will be conducted by an outside contractor. It will include a review of the organizational structure of other agencies and private organizations with missions similar to those of the FSIS.

The two-year study will recommend the optimum field structure with associated costs and benefits of that structure. The results of the study will be reflected in future budget requests.

RECENT PROGRAM ACHIEVEMENTS

The Agency is continuing its efforts to make inspection of meat and poultry products a model regulatory program. Toward that end we are continuing to develop and implement improvements in all facets of our operations.

SLAUGHTER INSPECTION

A number of changes have improved the efficiency of our inspection of slaughtered animals.

Cattle: Revised staffing standards in cattle plants have resulted in the elimination of 10 inspector positions. The Agency is also reviewing more efficient slaughter inspection procedures for cattle to determine if additional positions can be eliminated on faster, more modern lines.

The new method would combine the carcass and viscera inspection stations, requiring less physical motion by the inspectors. Our field test of this new procedure is being evaluated to determine if this would produce savings in inspection costs and permit higher productivity for both FSIS and the cattle industry. We are carefully considering the potential industry expenses for facility changes if we go ahead with these new procedures. First, all plants would need to install mirrors and appropriate lighting for examination of the carcasses. In addition, some plants would need to increase the surface area on which viscera are presently examined in order to accommodate kidneys, which would be detached from the carcasses and inspected separately.

Swine: New post-mortem inspection procedures and staffing standards for larger hog slaughter plants eliminated 65 inspection positions and permitted greater industry productivity by increasing line speeds by up to 50 percent. The procedures involve the use of a mirror to observe all sides of the carcass without turning it, and a greater reliance on visual, rather than manual, inspection of the internal organs. We are currently setting up tests of a new method that would combine rail and viscera inspection. This would include a carcass quality control system, performed by plant employees under FSIS supervision.

Mature Chickens: Modified Traditional Inspection (MTI), implemented for broilers in 1979, is being adapted for inspection of mature chickens. MTI was the first procedure instituted to cut down on the hand motions of the inspector by dividing physical inspection tasks among inspectors, instead of having each bird inspected inside and out by one inspector. The approximately 25 plants where older birds are slaughtered will benefit from increased line speeds.

Broilers: Field tests have been completed on a New Line Speed (NELS) procedure which will allow broiler slaughter plants to increase their line speeds to approximately 95 birds per minute (bpm), up from the current maximum of 70 bpm permitted under MTI. The procedure calls for plant employees to trim the carcasses, with verification by an FSIS inspector.

The speed of the NELS procedure is dependent upon the plant's ability to provide the inspector with clean, healthy, properly-trimmed birds. NELS will be implemented if analysis of field trials indicates that NELS is equal to MTI in effectiveness. We anticipate many plants adapting their lines to the more productive NELS procedure if it is offered as an alternative.

Turkeys: New turkey slaughter inspection procedures under study would make inspectors more efficient while increasing plant productivity by reducing the number of times the inspector must stop the line.

Under present procedures, both inspectors in a two-inspector line are located at the head of the line where they stop the line to alert plant employees to condemned parts that must be trimmed. The new procedure would place one inspector at the head of the line to determine if condemnation of the whole bird is necessary, and a second inspector at the end of the line to verify proper cleaning and trimming of the bird by plant employees. Speed of the line will be determined in part by the ability of plant personnel to clean and trim the birds properly.

Flock Testing: At the end of FY 1980, FSIS contracted with the College of Veterinary Medicine of Tuskegee Institute for a study of the value of flock testing to the inspection program. The study attempted to isolate those variables in a poultry flock which predict its condemnation rate at slaughter in the hope that the findings would enable FSIS to tailor inspection intensity to flock health.

The study, completed in June 1982, did show a high correlation between a group of variables and condemnation rates. We are continuing to examine the feasibility of using such an approach in poultry inspection, although there are many factors that must be carefully considered before we move forward in any substantive way.

Disease Reporting System: For many years the Agency has been gathering data on the number and location of animals condemned for disease as part of slaughter inspection. In April 1982, the disease reporting system was improved to include information on age-class and sex of the animals, and to provide for special surveys when necessary. The data generated will be used to determine disease rates by region and to revise inspection procedures accordingly. For example, the elimination of inspection procedures designed to identify a particular disease may be possible in certain groups of animals in geographic areas where that disease rarely or never occurs. The system may also reveal the need for intensified procedures in some cases.

PROCESSING INSPECTION

Discretionary Inspection: Our ability to thoroughly modernize inspection of processed products rests largely with the willingness of Congress to modify our enabling legislation. We are continuing to work with the Congress to gain greater flexibility in our use of inspection resources in the area of processing inspection.

The Federal Meat Inspection Act has required daily visits to plants under Federal inspection since 1906. Yet the industry today is vastly different than at the turn of the century. Modern processors use sophisticated production equipment to produce steadily growing quantities of wholesome products of consistent quality. "Continuous" inspection as currently mandated is no longer practical nor desirable in these times of budget restraints.

It is not that we are turning our backs on our legislated duty to assure wholesome and properly labeled products to the public. But rather, we do not wish to expend resources on daily monitoring of plants that have demonstrated their willingness and ability to comply with our regulations. Problem plants could, in fact, receive even more intense inspection than they receive now under the legislative proposal.

We anticipate the early introduction of legislation to permit greater discretion in the inspection of processing operations and we are looking forward to working with the Agriculture Committees on the bill.

Our budget request for FY 1984 includes a $2 million savings anticipated as a result of passage of this legislation. Reducing inspection visits to establishments that meet our stiff criteria may result in savings to this Agency of up to $55 million over 5 years from the gradual elimination of about 900 -- over 40 percent -- of our current processing inspection positions.

Quality Control: Meanwhile, we are moving to implement a system that uses our resources most efficiently under current legislative requirements.

Our Total Quality Control (TQC) program is a more objective method of processing inspection that permits the inspector to use a plant's process controls and recordkeeping, previously approved by USDA, to oversee the plant's operations. This voluntary program reduces Agency staffing requirements and encourages further technological and scientific innovation by industry while maintaining product compliance. Those plants involved in the program have seen overtime charges decrease by some 66 percent.

Our staff has had an active year in implementing the TQC program. There are 70 new plants in the program in 1982, raising the total to 116 at the end of calendar year 1982. Over 400 inspectors have received TQC training and will be ready to provide inspection services as more plants join the program.

We have undertaken a major effort to encourage industry participation in the program, sending out nearly 7,000 solicitation letters nationwide. Some 1500 plants have expressed an interest in the program, with over 94 percent of those receiving some assistance from Agency personnel. We are currently reviewing some 65 additional TQC plans. We also have in place some 2,300 partial quality control programs in over 1,000 plants.

LABELING

We have been hard at work this year rethinking our label review policy. In our role of assuring that meat and poultry products are not misbranded, we approve labels for products under our jurisdiction before they are used. This represents a massive workload -- about 2,500 applications for label approval arrive each week.

The system for approval has been criticized as slow and cumbersome. Some also charge it is discriminatory since it gives priority to those labels presented in person. The Agency has attempted to deal with the problems associated with label approval for some time. In February 1980, the Agency proposed to review labeling materials in the order received, whether in person or through the mail. Comments favored a more fundamental change in the system.

The Agency then developed a new system which would permit field inspectors to approve simple labeling changes and final labeling when a sketch had already been approved by headquarters labeling staff. A pilot study of the program indicated it had good potential for success. A document proposing these and other changes in the label review process was published on May 21, 1982.

During the past months, we have been reviewing the comments received on that proposal. This spring, we expect to issue a final regulation that will permit greater flexibility in label review. We plan to delegate additional authority for label approval to our field force, and we will be training our inspectors for this new responsibility. In addition, the regulation will establish certain categories of simple label changes, such as changes in net weight or in the company name and address, which will require no form of prior label approval.

We believe these changes are an appropriate part of the Agency's modernization program.

MECHANICALLY SEPARATED (SPECIES) -- MS(S)

Our modernization of the inspection program has included a review of regulations to insure they are responsive to new technologies and protect the public without being unduly restrictive or imposing unnecessary requirements on industry. One set of regulations in particular appeared to present these problems, with the result that a source of wholesome food was being wasted.

These regulations dealt with a livestock product now called "Mechanically Separated (Species)" -- previously known by various other names, including "Mechanically Deboned Meat" and "Mechanically Processed (Species) Product". MS(S) may be used as one of the ingredients in a number of processed meat food products such as frankfurters and luncheon meats. The product generally is made from carcass parts that have been hand trimmed, but still have some meat remaining on them. These parts are broken up and pushed under high pressure through specialized equipment with openings that allow the soft tissue to pass through along with a small amount of finely powdered bone.

In 1978, after a controversial and extensive rulemaking, USDA issued regulations governing the production, composition, and use of the product and the labeling of processed meat food products containing it. Very little product was produced after these regulations were issued, however. The red meat industry argued this was due to regulatory requirements which went beyond what was necessary to protect the public. Industry members contended, among other things, that the special labeling required on processed products containing this product was misleading and made them unmarketable.

Concerned about these arguments and the failure to take advantage of a significant potential source of food, USDA carefully reviewed the regulations. The regulations as amended in June 1982 retain many of the requirements established in 1978, including restrictions on the product's calcium content (as a measure of bone solids content) and on the amount permitted in a processed product. The name of the product was changed to "Mechanically Separated (Species)" (for example, "Mechanically Separated Beef" or "Mechanically Separated Lamb"). When MS(S) is used in a processed product, it must be listed separately in the ingredient statement. However, the requirement that its presence also be indicated next to the name of the finished product was deleted.

Under certain circumstances, the labels of finished products also must declare their calcium content. This information, provided for a small group of Americans on calcium-restricted diets, replaced a statement of powdered bone content next to the name of the finished product.

We believe that these and other changes in the regulations will facilitate production and use of a wholesome product. The amended regulations continue to protect the public and assure that products are properly labeled. Yet they permit greater flexibility to industry and no longer require labeling that has the potential to confuse and misinform the public.

Several firms have expressed interest in using MS(S) in their processed products. We are working with them to enable them to meet our requirements for the use of the product.

The 1982 final rule was challenged in Federal district court by several consumer-oriented public interest groups which objected to the change in the name of the product and to the changes in the labeling of finished products in which it is used. On December 1, 1982, the district court upheld this final rule and found in favor of USDA on all points. The groups have filed a notice of appeal; however, we are confident that the final rule is well-grounded.

IMPORT INSPECTION

During 1982, FSIS continued to strengthen its inspection of imported meat products. As I reported to this committee last year, we began an intense review of the import inspection program after the 1981 Australian meat substitution incident. In 1982, the Agency had to face another problem with imported meat -- this time involving forged export certificates and unwholesome product from Costa Rica. This incident, coupled with legislation that was passed to ensure uniformity between domestic and foreign inspection standards, led us to accelerate our effort to thoroughly modernize and strengthen the import inspection program.

In March 1982, USDA removed the four meat slaughter plants in Costa Rica from its list of approved exporters. The Department then sent a review team to Costa Rica to help the government develop controls over meat prepared for export to the United States. In April, shipments from Costa Rica were resumed, but were subsequently suspended when further irregularities related to the issuance of inspection certificates were uncovered. USDA review teams continued to work with Costa Rican authorities; by September, three of the four Costa Rican plants had been recertified to ship product to this country.

The fourth plant was not recertified because of a Federal investigation into the connection between the plant owner and a U.S. importing and processing establishment. As a result of the investigation, a Miami grand jury indicted the owner and others for violations of inspection regulations in the operation of the U.S. establishment, including failure to remove product from the United States that was refused entry at U.S. ports.

The owner challenged USDA's right to delist the Costa Rican plant, but the court ruled in favor of the Department. This decision was significant because it upheld USDA's authority to delist foreign plants when the integrity of plant management is in doubt. The plant was later relisted when the owner relinquished all control over the establishment. The owner is appealing the court's decision.

When the USDA investigation in Miami revealed that meat that had been refused entry into the United States had moved into U.S. distribution channels, FSIS acted immediately. On March 30, 1982, the Agency issued a bulletin to inspectors to strengthen procedures for the identification, control and reexporting of refused-entry product and on August 19, 1982, issued an interim rule on the new procedures.

The most significant change is that FSIS now maintains control over all refused-entry product until it is either destroyed, converted to nonhuman food use or exported. Responsibility for controlling the movement of refused entry product had previously been shared with the Customs Service. FSIS has also eliminated stamping of imported lots as "inspected and passed" before inspection is complete and has made importers responsible for the legal disposal of their refused-entry product.

During 1982, the Agency also responded to legislation affecting the import inspection program. The 1981 farm bill amended the Federal Meat Inspection Act to require that imported meat food products for human consumption be subject to the same inspection, sanitation, quality, species verification, and residue standards applied to domestic product. On July 8, 1982, FSIS published a Federal Register notice proposing to amend the Federal meat inspection regulations to clarify that these standards and requirements apply to imported meat. During 1982, FSIS notified all exporting countries that they would be required to meet provisions of the farm bill relating to species verification and residue testing.

The Agency has taken a number of additional steps in its program to strengthen inspection of imported meat products, including the following:

—FSIS now requires that all countries exporting to the U.S. have control programs sufficient to prevent the introduction of illegally prepared or unauthorized product into export channels. FSIS will have completed reviews of all the control programs by July 1983. The Agency will verify foreign controls through species monitoring at U.S. ports of entry.

—In its review of foreign inspection programs, FSIS has changed its emphasis from the acceptability of individual plants to the adequacy of a country's inspection system. FSIS will measure the ability of an exporting country to control certain key areas, such as chemical residues or economic fraud, and will develop risk profiles for each country in those areas.

--FSIS is tightening its control over product with violative residues, including procedures for stringent follow-up testing for product from plants when previous shipments contained violative residues.

--FSIS is reviewing its port-of-entry inspection system, including its computerized information system, to make any necessary changes to update the system and improve its efficiency.

--Recognizing the importance and interdependence of meat and poultry imports and exports, FSIS created a new position of Deputy Administrator for International Programs with responsibility for formulating policy and coordinating FSIS import and export programs.

RESIDUE CONTROL

Residue Avoidance Program: In the 1982 budget, FSIS received $3,195,000 in increased funding to improve its residue program. With these funds, we have been able to begin implementing our new Residue Avoidance Program. We are gradually shifting the emphasis of residue control from a focus on monitoring and reacting, to one of prevention at the source. The approach is modeled after successful efforts in the past, which showed that a plan that combines cooperative education programs with enforcement is more effective than enforcement alone. The Residue Avoidance Program aims to encourage producers to make prevention a part of all stages of animal production.

We have been working during this year with trade associations representing producers of various commodities. They are helping us spread the message to their members so that they can learn how to use drugs, pesticides and other chemicals properly and avoid sending animals to slaughter with illegal residues.

The poultry industry is particularly committed to residue avoidance. Most of the nation's broilers are produced by firms with residue control programs. FSIS and the National Broiler Council have entered into a residue avoidance agreement which serves as a model for agreements with individual companies. Several integrated poultry operations have already signed similar agreements with the Agency, based on the National Broiler Council document. Under these agreements, when company-conducted testing suggests that a residue problem may be present, they will inform FSIS so that appropriate, joint preventive actions can be taken. FSIS is also working with the National Turkey Federation to develop a model plan for use specifically in turkey operations.

FSIS transferred $1.5 million to USDA's Extension Service for 35 projects which are being carried out by land-grant colleges. Projects include studies of drug clearance in different types of animals and farm management controls that prevent contamination. Most of the projects, however, include educational components to pass findings on to producers.

FSIS and the Extension Service are collaborating on many of the educational efforts. Slide shows are being distributed to Extension Service agents to introduce residue avoidance concepts to poultry, swine, and dairy farmers. The show for dairy farmers introduces the Live Animal Swab Test, which they can perform to check dairy cows, calves and heifers for antiobiotic residues prior to marketing. A new FSIS guidebook provides step-by-step instructions for the test, which gives results overnight. When the test indicates no antibiotics, the animal can be sent to slaughter. When it indicates antibiotics, the animal can be retested in a few days. The slide show for dairy farmers also explains the problem of antibiotic and sulfa residues in young bull calves -- born on the dairy farm and marketed shortly afterwards -- and provides suggestions for marketing drug-free calves.

FSIS has also worked to improve its testing capabilities to strengthen the monitoring program. Efforts have been directed toward simple rapid on-site screening methods and single laboratory tests that can detect several residues at one time. The use of one of our previously-developed rapid analytical tests was expanded this year. USDA inspectors can now use this quick test to screen carcasses from all animal species for traces of antibiotics. Inspectors had been using this STOP test -- for Swab Test on Premises -- on cull dairy cows since 1979. The test not only speeds inspection but also enhances USDA's ability to assure that meat and poultry products are not adulterated.

We are proud of the success of our Residue Avoidance Program to date. Industry has established a task force to serve as a consulting and review group, recommending projects to the Extension Service. We welcome this major step forward on industry's part.

We are also pleased with our working relationship with the Extension Service. They have more than matched our funds with the resources they have contributed to this project. Their contribution multiplies as it spreads to the field because of the great enthusiasm of State Extension Directors for the program.

During FY 1983, FSIS will continue to expand the residue avoidance program. As a result of the anticipated overall decline in violative residues in both domestic and imported product, more laboratory resources should be available for developmental work on new regulatory analytical methods. We look forward to our continuing efforts with the industry and the Extension Service.

Drug Residues in Veal Calves: The new cooperative approach to residue control is being tested with a current problem -- drug residues in calves. In 1982, FSIS recorded almost 1,000 violations from drug residues in one-week-old calves, as compared to just over 500 violations in 1981.

In response to the worsening situation, FSIS and other Government agencies, along with affected marketing and drug groups, formed a task force to identify the causes of the problem. The task force's preliminary efforts to discover contributing factors point to marginal management practices on some dairy farms. For example, some farmers have been feeding new-born calves antibiotic or sulfa medication to ward off disease, rather than permitting the calves to drink the colostrum (first milk) from their mothers, which provides natural protection from disease and infection.

As part of its transfer of funds to the Extension Service, FSIS has awarded $122,000 to three land-grant universities for projects on ways to avoid drug residues in veal calves. These projects, as recommended by the task force, will focus on acceptable drug treatment, management practices, and producer education programs. The projects will be completed in 1984.

Testing for Potential Residue Problem in Puerto Rico: The Food and Drug Administration (FDA) and the Center for Disease Control (CDC) this year have had to investigate another potential residue contamination problem -- one allegedly involving the meat and poultry supply in Puerto Rico. Cooperating in these efforts, FSIS has provided laboratory services and scientific expertise where appropriate.

Since 1975, physicians in Puerto Rico have noted premature breast development, called thelarche, and ovarian cysts in approximately 600 young girls. A recent article in a medical journal pointed to consumption of meat, poultry, and milk contaminated by estrogen compounds as a suggested cause for this condition.

The Agency has begun an intensive investigation of the role the meat and poultry supply may be playing in this situation. We have completed the initial screening for estrogenic compounds of 85 meat and poultry samples from Puerto Rico. All were found to be negative. We are now investigating the possibility of estrogen residues in beef imported by Puerto Rico.

We will continue to work closely with FDA and CDC in trying to identify the cause of this problem. We want to determine whether the meat and poultry supply is involved in the situation, and to take any corrective action that is necessary to assure the residents of Puerto Rico that their meat and poultry are not contaminated.

MICROBIOLOGICAL MONITORING AND SURVEILLANCE PROGRAM

In FY 1982, the Agency's Microbiological Monitoring and Surveillance Program was fully implemented. Under this program, raw and cooked meat and poultry products are surveyed for microbial contamination, and then surveillance is concentrated on removing contamination problems.

Under the new system, products nationwide are chosen for monitoring in a statistically-based fashion. The monitoring programs are unbiased surveys focusing on particular types of processed products.

A surveillance program is undertaken whenever we have knowledge of a problem in a firm or group of firms. Exploratory surveillance projects are statistically-based, but weighted to delineate possible problem areas.

Antibiotic residues are currently under study as part of this program. During the monitoring phase, various animal classes have been selected by computer for routine sampling. The surveillance phase uses the STOP test -- Swab Test on Premises -- to check quickly for antibiotic residues in the slaughtered animals.

Studies planned for FY 1983 include the microbiological examination of spices used in meat and poultry products and a review of mechanically deboned poultry.

MONITORING OF COOKED BEEF FOR SALMONELLA

One of the major monitoring and surveillance programs conducted in FY 1982 focused on the presence of salmonella bacteria in pre-cooked roast beef and pre-cooked corned beef prepared at federally inspected plants. This review was in response to several reported cases of food poisoning traced to these products.

Salmonella bacteria were isolated from a total of 18 establishments and it was necessary to recall product from commerce in five instances.

In addition to the data from the monitoring and surveillance program, the Agency took several actions to assure the safety of these cooked beef products including:

—Issuance of a special bulletin and revised regulations addressing roast beef and corned beef. The importance of tightening sanitation procedures in plants is being emphasized to FSIS field supervisors.

—Development of educational materials aimed at managers and supervisors in food handling establishments such as delicatessens, restaurants, and cafeterias.

—Issuance of an instructional aid directed to inspectors assigned to plants which produce roast beef and corned beef. It is a comprehensive publication addressing concerns about thawing of raw product, trimming and cutting, sorting and sizing, pumping, cooking procedures, sanitation, cooling procedures, and packaging and labeling.

—A review by Regional officials of processing and handling procedures of all roast beef and corned beef processing plants in the Northeast.

—Implementation of a special review of roast beef production and handling practices around the country.

We believe our current regulations are adequate to control salmonella in pre-cooked beef products. We will continue, however, to focus attention on full compliance with these requirements to assure the safety of these popular products.

REVIEW AND EVALUATION PROGRAM

One of our newly-established staffs played a key role in our program to assure the wholesomeness of cooked beef products. The Review and Evaluation Staff, which reports directly to the Administrator, tracks agency progress in effectively carrying out the inspection program and also conducts special studies of particular interest. The staff serves a useful function in providing perspective on this large and complex agency.

The staff's first major special project was the study of inspection operations in cooked beef plants. In a comprehensive report on cooked beef operations issued last summer, the staff advised us that the Agency needs to continue its emphasis on adequate facilities, sanitation practices, and proper handling to assure that properly cooked meat is not recontaminated with harmful bacteria after it is cooked.

Another study by the staff, expected out within the next few weeks, will report on nationwide compliance with inspection requirements on plant water systems. This is being carried out in response to a 1981 GAO report that found a high potential for contamination of potable water supplies in a number of the slaughter plants GAO visited. Our agency water system review includes about 350 randomly selected plants -- both slaughter and processing -- along with the 39 slaughter plants that GAO identified as having potential water problems.

Two additional studies are now underway. In the first study, the staff is completing its review of some 150 slaughter plants to assess inspection effectiveness in monitoring humane handling of livestock. The study will also cover ante-mortem and post-mortem inspection and disposition procedures. The other study will look at canning operations -- in both domestic plants and in foreign plants that export to this country.

The staff has revised its approach to making oversight reviews and is now providing data which is more valuable to Agency management than was provided in the previous plant-by-plant review. Review results are now summarized in circuit reports which evaluate inspection controls in the circuit. When reviewers come across serious problems in individual plants they document these separately in an inspection location report (ILR). ILR's are passed on to the assigned inspection managers to follow through on corrections.

So far ILR's have been the exception and not the rule. They have been needed in less than five percent of the cases where reviewers visited plants. The new review system gives us an improved way to monitor what is going on and to focus on the most critical problems.

STATE INSPECTION PROGRAMS

State inspection programs continue to be plagued by budgetary constraints, and Utah was forced to relinquish its Talmadge-Aiken meat inspection responsibilties during FY 1983. Additional costs to the Federal program in this case are minimal.

Twenty-seven States have been able to continue their own State inspection programs with Federal financial assistance. The Federal program also provides cooperative financing in 16 States under Talmadge-Aiken Agreements. In addition, two States conduct for the Department reviews of meat and poultry plants that are exempted from regulation inspection requirements.

Our FY 1984 budget request for an additional $2.3 million for Grants to States does not provide for any additional program coverage. It is needed to compensate for the impact of inflation on the grant money we provide to the States -- covering rising salaries, support, and travel for inspection personnel.

The Agency has supported legislation that would be a boost to those State programs which remain viable. Last Fall, USDA testified before the House Agriculture subcommittee on Livestock, Dairy, and Poultry in favor of a bill to permit the interstate shipment of meat and poultry products inspected by State inspection programs.

USDA believes that the States with inspection programs have proven their ability to enforce inspection standards at least equal to those at the Federal level. The legislation would correct the inequities in the current laws without reducing the level of protection provided consumers.

Under the legislation, state-inspected product would be permitted to move in interstate, but not foreign commerce. In addition, state-inspected product moving in interstate commerce would be required to meet Federal requirements for marking, labeling, packaging, and ingredients.

We are looking forward to reintroduction of this bill in the 98th Congress.

Mr. Chairman, this completes my prepared statement. I will be happy to answer any questions you or other committee members may have.

BUDGET REQUEST

Dr. HOUSTON. With regard to the 1984 request, we in the Food Safety and Inspection Service are asking for a maintenance budget. We are proposing no program increases and have determined that no additional staffing is required. However, we are requesting an increase in funds of $7.86 million to provide for uncontrollable cost items. The additional funds requested are essential if the agency is to continue its present level of inspection. The increase will provide funds to cover the cost of such things as workmen's compensation, relocation allowances, health benefits, inspector travel costs, and other operating costs.

Included in the $7.86 million is $2.3 million to cover inflationary increases in grants to States for 50 percent of their inspection program.

Absorption of these costs would require reductions of more than 200 staff-years in the Federal inspection program and would seriously impair our ability to carry out a program that assures the public of a wholesome meat and poultry supply.

Mr. Chairman, that quickly summarizes our budget request for 1984, and I will be happy to answer questions you or other members of the committee may have.

INSPECTION WORK FORCE

Senator COCHRAN. Thank you very much, Dr. Houston.

I recall having some hearings in Mississippi a year or so ago and listening to some testimony by poultry industry representatives who thought that there might have been some waste of money and manpower in the inspection process. They indicated that 2 million people were involved in inspections. They assured me they weren't trying to get around anything or hide anything from the inspection process, but it seemed to them that the Government just had too many people and they weren't really doing much.

Have there been any changes made recently with respect to the allocation of manpower to the poultry inspection responsibilities that the agency has?

Dr. HOUSTON. Yes; over the last several years, we have been able to improve the productivity of our own inspection force. For example, we have changed the procedures we use in carrying out postmortem inspection in poultry plants. As a result, we were able to eliminate 200 staff-years from our service.

In addition, we have enabled plants to improve their productivity by allowing line speeds to increase, again by changing inspection procedures. Line speeds traditionally had been running around 55 birds per minute. Following our procedure changes, they went up to 70 birds per minute. We have completed testing of procedures on the west coast which show promise of increasing line speeds to 95 or 100 birds a minute.

So, I think we have been responsive to the concerns that were expressed several years ago that we were a cap on industry productivity. A number of changes have occurred, both to the benefit of the taxpayer and the poultry industry itself. We are continuing to look for ways to make further changes.

INSPECTION PROCEDURE

Senator COCHRAN. There was legislation passed in 1957 called the Poultry Products Inspection Act, which requires individual inspection of birds at the time of slaughter. Is that something that is out of date? How do you operate within the framework of that law in making these changes and improving the procedures of the agency?

Dr. HOUSTON. Well, the law does require an individual inspection of each bird at the time of slaughter; however, the law does not specify how that examination is to be made. That is up to the discretion of the Secretary. That is one of the reasons we have been able to make improvements by streamlining our inspection procedures. We have gone about as far as we can in making those changes under the current law. As I mentioned, an individual examination is still necessary. We think there may be ways that we could go to some type of combined inspection system, utilizing the resources of the industry and USDA and taking advantage of improvements that have occurred over the last 20 or 30 years in the industry. If we do that, however, it is very likely we may have to come to Congress and ask for changes in the law to give us the flexibility we need. We are in the process right now of developing plans to carry out studies to see if these proposals we have in mind would be feasible.

SLAUGHTER INSPECTION INCREASE

Senator COCHRAN. In the budget request, there is a $2.8 million increase for slaughter inspection. Is this consistent with the savings that are being made by improving procedures for poultry inspection and the like?

Dr. HOUSTON. Yes, sir, it is. Of the total increase we are requesting, it is slaughter inspection's proportion of increased operating costs. Slaughter inspection is the largest program area in the inspection service.

Senator COCHRAN. If we are achieving the savings and are making better use of manpower, why do we need the pretty substantial $2.8 million increase?

Dr. HOUSTON. Those savings have already been taken into account in the 1983 budget, and as I said, we are about as far as we can go in achieving any further savings because of the constraints of the current law.

Senator COCHRAN. I don't understand how we are saving money and then requesting an increase in funding for the very program that we are talking about making the savings in.

Dr. HOUSTON. Well, these costs that we are talking about are increases that cannot be controlled by the Agency. We are concerned about workmen's compensation, travel, and other operating costs that have been going up, and that is the reason for the request.

STATE INSPECTION PROGRAMS

Senator COCHRAN. Are there State inspection programs in most States that are designed to complement or in some way lessen the necessity for our Federal inspection programs?

Dr. HOUSTON. Twenty-seven States still conduct inspection programs of plants which operate in intrastate commerce. Twenty-three States have chosen to give up those programs, usually for budgetary reasons, and have turned them over to the Department of Agriculture.

Senator COCHRAN. Does that have a budget impact on you?

Dr. HOUSTON. Yes; very much so. We contribute 50 percent of the costs of those State inspection programs, and the other 50 percent, of course, is picked up by the State. Thus, when the State turns it over to us, we have to assume 100 percent of the costs that are associated with that program. For that reason, many Governors and State legislatures have found it convenient to turn their programs over to the Department of Agriculture, since we, by law, are required to pick up those responsibilities. As I said, there are 23 States where we are conducting the total inspection program. There are several States right now that have or just considered giving up those programs to us. For example, Kansas recently went through that situation, but they have decided to keep the program. I understand South Carolina is somewhat concerned now, too.

Senator COCHRAN. I think you mentioned Utah in the statement that you filed as well.

Dr. HOUSTON. That is right. Utah recently gave up the Talmadge-Aiken program.

Senator COCHRAN. What program?

Dr. HOUSTON. Talmadge-Aiken. Whenever a State-inspected plant chooses to come under Federal inspection, State officials will sometimes maintain their inspectors in that plant even though the plant operates as a federally inspected plant. Under the Talmadge-Aiken Act, we have an agreement with States who wish to leave their inspectors in selected plants. We continue to pick up 50 percent of the costs, and they likewise pay 50 percent. There are about 250 plants now in the Federal program that are staffed by State inspectors operating under a Talmadge-Aiken agreement. The Talmadge-Aiken Act authorizes the Secretary of Agriculture to enter into cooperative programs with States to carry out the Department's activities when costs would not be greater than that if carried out solely by the Department of Agriculture.

NADER GROUP REPORT

Senator COCHRAN. Recently, I heard of a report called, "Return to the Jungle: How the Reagan Administration Is Imperiling the Nation's Meat and Poultry Inspection Program." Apparently, it is not a complimentary report.

Dr. HOUSTON. That is quite true.

Senator COCHRAN. Do you know about the report?

Dr. HOUSTON. Yes, sir, I am very familiar with the report. I have read it very thoroughly.

Senator COCHRAN. Does it amount to anything?

Dr. HOUSTON. I don't believe it does. We have completed an analysis and evaluation of that report, and I would certainly be glad to provide it to this committee and to submit it for the record if you would like to have it.

I might also add that a member of the Congress, Mr. Harkin, recently in his role as chairman of the House Agriculture Subcommittee on Livestock, Dairy, and Poultry, reviewed the report, "Return to the Jungle." He said:

> We have taken the time to study each of the allegations in the report and, upon careful inspection, have found numerous flaws. It is factually inaccurate in a number of important areas. The research is simply not good enough for its conclusions to be taken seriously.

Senator COCHRAN. I would appreciate having your assessment and your response to whatever charges are contained in the study.

Dr. HOUSTON. Yes, sir, we will be glad to provide that.

[The information follows:]

AN ANALYSIS AND EVALUATION OF THE CENTER FOR STUDY OF RESPONSIVE LAW'S "RETURN TO THE JUNGLE"

PREPARED BY: U.S. DEPARTMENT OF AGRICULTURE, FOOD SAFETY AND INSPECTION SERVICE—FEBRUARY 1983

The Food Safety and Inspection Service (FSIS) of USDA inspects and analyzes domestic and imported meat, poultry, and meat and poultry food products. The Agency also monitors the meat and poultry industries for violations of inspection laws, and establishes standards and approves recipes and lables for processed meat and poultry products.

EXECUTIVE SUMMARY

Analysis and Evaluation of Return to the Jungle

- On January 31, 1983, the Center for the Study of Responsive Law published Return to the Jungle: How the Reagan Administration Is Imperiling the Nation's Meat and Poultry Inspection Program.

- This analysis responds to the report's five major charges, that:

--USDA has relaxed its enforcement program under pressure from the meat and poultry industries;

--USDA suppresses findings from its program review branch;

--USDA's new slaughter inspection techniques are producing potential health and safety hazards;

--USDA has an inadequate inspection force that is resulting in health-threatening situations; and

--USDA's current legislative and regulatory efforts to refocus the activities of its inspection force are inadequate.

- This analysis covers each major issue by summarizing it, quoting relevant passages of the report, and responding with the most current factual information available to USDA. In sum, USDA believes that:

  --The overall enforcement effort of the meat and poultry inspection program is about the same as it has been in the past, but its review activities are both more systematic and more focused.

  --All "serious" findings are being followed up more systematically than in the past. All information relating to these findings is available to the public upon request.

  --New slaughter inspection techniques are well-documented, produce error rates that are no different than under traditional inspection, and are tailored to ensure that USDA is advancing with technology and the demands of current law.

  --USDA's food inspection force is by far the largest health inspection force in the federal government, both in absolute numbers and in the ratio of inspectors to regulated facilities.

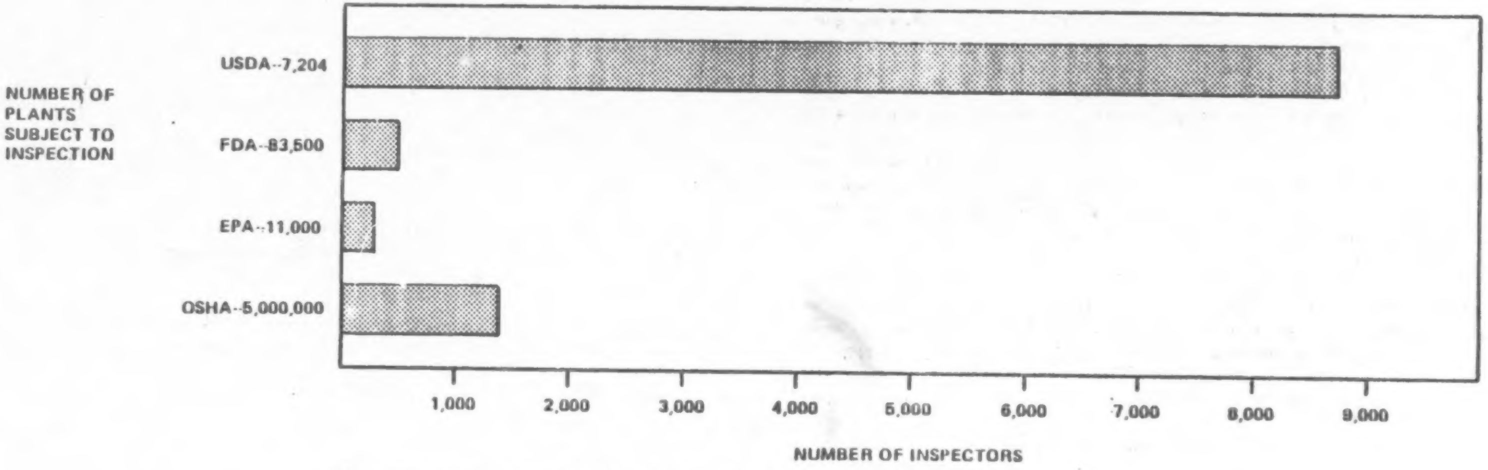
  --The changing nature of both the food supply and production techniques will continue to demand changes in both the ways USDA inspects food processing establishments that are very good, and the manner in which USDA focuses its large resources on the small minority of chronic violators.

  --The need to target inspection resources in an era of federal financial austerity is producing morale problems between labor and management. USDA recognizes its responsibility to improve this situation, consistent with its responsibilities to maintain public protection, modernize its techniques, and manage its limited resources.

- Charges that the Reagan Administration believes in a "free market" approach to public protection in USDA ignore the fact that meat and poultry inspection resources have increased from 1981 while many government programs have been reduced.

- USDA has been enforcing and will continue to enforce vigorously the law of the land, even as it seeks amendments in the Congress and makes other changes through well-established and public administrative procedures.

FEDERAL GOVERNMENT HEALTH INSPECTION FORCES AND PLANTS INSPECTED



Note: The numbers for USDA, FDA, and EPA are only for food-related inspectors.

Chapters 1-2

INFORMATION BLACKOUT AND ORDERS TO RELAX ENFORCEMENT

These chapters allege that the program review functions of USDA have been weakened and that important information about meat and poultry safety is being suppressed.

Issue	Response
A. The role of the Program Review Branch has changed dramatically. "The Reagan Administration . . . reorganized the branch (PRB) into an impotent body, with no enforcement capability." (p. 15) "R&E Director Seymour explained that enforcement is no longer a part of the Program Review Branch's responsibilities." (p. 16)	A. For a number of years USDA has maintained a small program review unit to carry out an internal audit function that monitors the overall effectiveness of the inspection program, collects information for improving program design, execution, and management, and alerts inspection managers to emerging problems before they become serious. --Reviewers refer their findings to line inspection personnel, compliance officers, and the Office of the Inspector General, who are responsible for ensuring that violations are dealt with and corrections made. --As a follow-up to program review activities, regional directors open investigatory files for each serious violation reported by R&E officers in Inspection Location Reports (ILR) and are charged with obtaining compliance through voluntary means or seeking administrative or judicial remedies to enforce requirements.
"In name, at least, the Program Review Branch survived the initial assault by industry with a $1.8 million budget in 1983. But the Reagan Administration significantly weakened the auditing agency's operations." (p. 15)	Review and evaluation functions have been expanded and strengthened. --The FY1983 budget is 9 percent higher than the $1.6 million spent in FY1982. --Staff size has increased from 40 in 1981 to 46 in 1983. --Review staff now report directly to the FSIS Administrator.

"Carol Seymour, Director of the program, plans to slash in half the number of routine plant reviews made in 1983. Resources will be redirected to special review projects . . . FSIS insiders say the new review projects are a waste of time and money." (p. 15)	Changes in the Review Branch's activities were made in order to improve the program and widen its scope. Basic reviews continue to be an important tool for assessing program effectiveness. These are supplemented by special project reviews (initiated in 1982), in which FSIS looks at inspection procedures, problems, and issues in depth and develops recommendations for nationwide program improvements. --For example, a special project performed in 1982 on salmonella in cooked beef resulted in recommendations for cooked beef handling. --The total number of reviews planned for FY1983 is 2,650, compared to 5,000 performed in previous years. Of these, 65 circuits (1,950 plants) will receive basic reviews and 700 plants will be reviewed in depth during special projects. Half of program review resources will be used for circuit reviews and half for special projects.
In addition, "a federal regulation issued under the Carter Administration requiring that chronic problem plants be publicly identified was abolished. FSIS was forced to relinquish its most powerful enforcement tool." (p. 15)	Enforcement follow-up under the new review system provides for immediate issuance of an Inspection Location Report (ILR) which is more timely and widely applied than the Chronic Problem Plant approach. --ILRs identify serious problems at inspection locations and are referred to inspection supervisors for immediate follow-up. The Chronic Problem Plant approach relied on a lengthy process of repeated reviews. --In the first 10 months of the new review approach, 31 Inspection Location Reports were issued (4 percent of locations visited) versus 6 Chronic Problem Plant reports over a three-year period (0.06 percent of locations visited).

"As 'overview monitors,' reviewers now make announced visits to facilities in specific 'circuits' which contain anywhere from 10 to 70 plants." (p. 16)	FSIS policies with regard to announcing reviews have not changed. --Reviewer plans have always been coordinated with local inspection supervisors. --Current policy does allow for reviewers to double-back or rereview on a surprise basis if warranted.
"Program reviewers have been ordered to refrain from citing 'minor' violations in individual plants, like meat lying on ILRs dirty tables, small numbers of flies, and so on. Instead, their mission is to cite individual plants only for 'serious' violations involving large quantities of meat and posing 'threats to public health.' But formal guidelines defining 'serious' violations do not exist. "In place of plant-by-plant reports, reviewers are now instructed to compose circuit summaries, compilations of minor violations that do not name names . . . the deficiencies . . . are only vaguely described, leaving individual violators unaccountable." (p. 16)	Reviewers collect and report all deficiencies to inspection officials on the scene and at exit conferences at the close circuit reviews. All findings (positive and negative) are summarized in circuit reports. Reviewers prepare ILRs to document serious deficiencies. Criteria for determining the seriousness of a deficiency are communicated to the 17 program reviewers through correlation sessions that are regularly held among reviewers to ensure uniformity. Circuit summaries provide a better assessment than individual plant reports of the overall effectiveness of program operations. --They identify areas of supervision needing emphasis. --They highlight trends which are not apparent from reviewing individual plant reports.
B. Program Review Officers are demoralized. "Angry program reviewers asserted that the new system has crippled the program . . . Since the new format was instituted, at least eight reviewers have quit the program." (p. 18)	B. As with any change, the new system had opponents and proponents. Nearly all program reviewers, participated in the design of the new review program, and many strongly endorse its merits. --The program review personnel were involved in developing new procedures through special task forces and field trials. --Reviewers have expressed support for special projects and new review approaches. The views of many current reviewers were not contained in the Center's report.

C. Information is deliberately withheld and hidden from the public and press. "The suppression of Program Review reports and the recision of the chronic violators regulation constitute an information blackout at FSIS. One program reviewer told us the Administration does not want 'the public, the consumer, or the press to have access to information about the meat industry's less-than-exemplary performance.'" (p. 15)	C. Most reports have been available immediately, and other reports were available after a brief investigation. --Circuit summaries, special project reports, and correspondence have always been immediately available to the public. --The program review data collected during the period September 1981 to January 1982 were always available upon request through the Freedom of Information Act. --All ILRs requested in 1982 were made available with only short delay. --As a result of a court order in February 1983, ILRs will now be available to the public immediately.
D. The consumer's health is threatened by a large level of violations. "The Agency's own reports, completed by its Program Review Branch, have shown that many plants around the country still produce meat in health-threatening environments." (p. 1) "Documents obtained from the Branch reveal a consistent and alarming pattern of health violations." (p. 13)	D. Approximately 20 percent of meat and poultry plants under federal inspection have one or more operating deficiencies daily. However, these data do not mean that 20 percent of the meat and poultry supply is adulterated. --Many deficiencies are isolated problems in one part of a large, complex operation, e.g., one contaminated carcass out of 10,000 prepared that day. --Most deficiencies are corrected on the spot by assigned inspectors using their authorities. --The percentage of plants with multiple or pervasive deficiencies involving serious noncompliance is small, approximately 5 percent. The new review system with ILRs is designed to specifically identify those plants with the most serious problems by issuing ILRs and obtain compliance immediately.

E. The Report also refers to information suppression and program deficiencies in areas not under the jurisdiction of the Program Review Branch. The Residue Monitoring Program is inadequate. "Substances linked to cancer and birth defects enter the food chain daily. FSIS has yet to satisfactorily address this frightening new generation of health concerns. Current attempts through the Agency's Residue Monitoring Program have met with limited success. Instead of recognizing the urgent need for more work in this area, the Reagan Administration has reduced the scope of the program . . . during the first two years of the Reagan Administration, no large-scale callbacks for toxics have occurred." (p. 7-8)	E. FSIS's Residue Monitoring Programs have expanded and improved to include more activities aimed at early identification, producer education, and more compounds. --In the last three years, 14 additional compounds have been added to bring the total list of substances that can be tested to 60. Many existing methods have also been improved. --In the wake of the 1979 PCB contamination incident, FSIS established major new program controls (under former Assistant Secretary Foreman) to prevent, detect, and eliminate contamination violations. This is one of the principal reasons that large-scale callbacks are no longer occurring. --USDA's Residue Avoidance Program has met with increased efforts by the meat and poultry industry to maintain and prevent contamination. --Since 1981 resources available for prevention and control of residues have increased by 22 percent.
USDA suppressed parts of a dietary guide. "The public got an early glance at the influence of the meat industry in the Reagan Administration when USDA suppressed parts of a dietary guide pointing out some of the negative health aspects of red meat." (p. 4)	The dietary guidelines (which fall under the jurisdication of other USDA units, not FSIS) were distributed widely. --Over 3 million copies of the guidelines were distributed. --Results of the guidelines were widely publicized in the popular press. --The guidelines are currently being reviewed for their accuracy by an expert panel appointed by the Secretary.

Chapter 3

SLAUGHTER INSPECTION

This chapter alleges that the USDA is increasing line speeds at the expense of adequate job performance; that new procedures have not been adequately or objectively tested; and that current policies in inspection at slaughter endanger the consumer.

Issue	Response
A. Department officials are increasing line speeds and are adjusting inspection procedures to accommodate these increases despite frequent inspector warnings that the new procedures do not permit adequate job performance. "Inspectors have been complaining loudly and persistently that they cannot conduct adequate examinations at such high (line) speeds." (p. 28) "But the days when an inspector carefully handled each bird or cow for signs of disease or adulteration are coming to an end. As producers are automatically sending out more carcasses at a faster rate, USDA officials are scrambling to modernize inspection procedures." (p. 27) "So Agency analysts are developing ways to streamline the inspection process, sending more carcasses at a faster speed past inspectors." (p. 27)	A. Rapidly escalating inspection costs have forced the USDA to review and change inspection procedures. --Between 1968 and 1976, Agency costs rose by 207 percent, from $72 million annually to $228 million. --GAO and other reports recommended revised inspection procedures to gain efficiencies. --Most livestock and poultry post-mortem procedures had not been evaluated since the 1920s until FSIS began new testing in 1978.
As a result of new procedures, diseased birds are being missed. "Dr. Paul J. Mitchell, an Illinois inspector, disagrees with USDA's assertion that the present system is efficient. 'To be efficient infers that these operations are effective in removing disease, adulterated, and unwholesome birds and tissue from food supply channels. They are not,' he wrote to Houston in July 1981. 'Birds affected with cancerous tissues . . . are being missed and not condemned as required by regulation.'" (p. 28)	New procedures have not resulted in a decrease in condemnation rates; if anything, condemnation rates have increased when variables such as improvements in animal husbandry and disease prevention are considered. Studies indicate that error rates under old and new procedures are the same. Before final regulations were published, the studies were made available for public review and comment.

The Reagan Administration has implemented new line speeds. "The Reagan Administration in 1981 began implementing a variation on this Modified Traditional Inspection called HOHO, which would enable poultry plants to speed up the line to 85 birds a minute from the current level of 70 birds a minute. . ." (p. 33) "USDA officials are 'scrambling' to modernize procedures to accommodate faster line speeds." (p. 27) "To replace the proposed HOHO program, the Agency developed the NELS procedure, which hands over more responsibility to industry and will enable plants to speed up lines to 95-105 birds a minute. Geisemann said this plan will become regulation in the coming months." (p. 34)	No new poultry line speeds have been implemented by the current Administration. There have been several under study. --Hands-On Hands-Off (HOHO) was tested at a few selected sites to determine its feasibility. Tests have demonstrated that the technology has not developed to a point to be generally put into operation. --Total Hands-Off: USDA is continuing to study the adoption of a total hands-off inspection procedure. --New Line Speeds (NELS): This system would use plant personnel to present and conduct the nonpathological trimming of the birds and would use mirrors to facilitate its actual inspection. Current studies are demonstrating its effectiveness. If adopted, NELS could result in a line speed of 95-100 bpm. It will be proposed for comment in the Federal Register.
Birds with missing organs are being approved. "Yet the Agency has devised two schemes to accommodate industry's desire to continue to use inadequate eviscerating machines. One is to permit carcasses to be approved without all the organs present. The FSIS scientist said the Agency is looking at a proposal to approve carcasses if they still have the gizzard, which, the scientist said, 'is hardly a flag of disease.'" (p. 35) "Both HOHO and NELS are based on using an automatic eviscerating machine which reaches in and pulls out each bird's insides and then positions the organs for inspection." (p. 35)	Missing viscera are not a problem. Present regulations require that viscera are not to be removed from poultry unless their identity with the rest of the carcass is maintained. --The Agency permits the "pooling" of carcasses with missing viscera and detached viscera. All carcasses will be released if the pooled viscera are free of lesions. --All carcasses will be condemned if any viscera show lesions requiring carcass condemnation.

The Agency would permit contaminated poultry product into the market which has been hosed down, resulting in "fecal soup." "Another is to permit plants to quickly salvage poultry that has been damaged by accidents such as an intestine burst. Previously, packers were allowed to 'reprocess' their carcasses after such an incident: they could save the unadulterated meat and use it in a processed product. But damaged carcasses had to be reinspected off-line and only then, if suitable, were they allowed to continue under stricter supervision. Today, the Agency is considering ways to reinspect the damaged carcass while it is still on the line by immediately hosing down the carcass." (pp. 35-36)	USDA is working with industry to develop acceptable concepts for on-line poultry reprocessing. --As permitted by law, regulations provide that poultry carcasses need not be condemned if suitably reprocessed to remove accidental contamination. Off-line reprocessing stations are required. --No new on-line reprocessing system has been approved, although several have been tested but found unacceptable. USDA is investigating allegations of unauthorized reprocessing.
B. New procedures have not been adequately tested, and the tests that were run did not result in an objective analysis. "The Reagan Administration is tailoring line speedups to each aspect of the slaughtering industry--poultry, swine, and cattle." (p. 33) Modified Traditional Inspection (MTI) for poultry slaughter was not adequately tested. "The first approved Modified Traditional Inspection for poultry was implemented in 1979. USDA approved the new procedure after running only one pilot program, prompting both inspectors and USDA scientists to complain that it was not adequately tested." (p. 33) "But the Reagan Administration is speeding up the processing further, insisting that the modern inspector using sophisticated techniques is capable of checking for transmissable diseases." (p. 28)	In April 1979, a Federal District Court ordered USDA to use uniform maximum inspection rates for young chickens in all federally inspected plants. --In late April 1979, USDA adopted MTI, allowing for 70 birds per minute (bpm), and "Traditional inspection," allowing for 66 bpm. The principal difference is that there are only three inspectors per line using a sequenced inspection technique for MTI, but there are four inspectors per line for traditional. --MTI was adopted based on one adequate and well-designed study and follow-up work measurement, because of the imperatives of the court order, a desire not to inhibit rapidly increasing industry productivity, and the demonstrated efficacy of new technique. --Study revealed that 0.18 percent errors were made with MTI, compared to 0.16 percent with traditional.

Swine inspection procedures were opposed by inspectors during rulemaking.

"When the regulations were in the proposal stage, FSIS' was flooded with letters from outraged swine inspectors. Said an inspector-in-charge of a southern Virginia plant: 'The rates have gone beyond the realm of reality.'" (p. 37)

"Another inspector expressed these concerns about the new procedures: . . . 'Even rotating through the other stations, the stress and strain created do not enable the inspector to carry out his responsibility for presenting the consumer with the clean, wholesome product. Changes in the present procedure are difficult if not impossible to perform.'" (p. 38)

In 1981, FSIS adopted new inspection procedures for swine which were the result of intensive testing by the Agency.

--The new procedures eliminated (1) a full carcass inspection at the time of head inspection, and (2) some waiting time between animals. Using the new procedures, three inspectors can inspect up to 506 butchered hogs per hour, a 50.15 percent gain in productivity.

--Two studies were undertaken before new inspection procedures were instituted. Both studies essentially concluded that no significant differences in reliability were found between the two sets of procedures.

	System Reliability*	Sample Size
Study 1	92.6%	2,223
Traditional	92.0%	2,209
Study 2	93.3%	933
Traditional	90.1%	901

*Percent approved that should have been approved.

Increased rates for cattle inspection make the job more perilous for the inspector.

"Echoing the doubts of poultry and swine inspectors, cattle inspectors wrote to decision-makers in Washington describing the difficulties they encounter daily at present line speeds. 'The following is an example of one procedure required on each animal by regulation . . . when the inspector observes a diseased carcass or off-conditions which could render the carcass unfit for human consumption, he/she must hold entire carcasses for veterinary disposition, or further laboratory analysis . . . Keep in mind this must be accomplished in a 31.5-second time period and within the confines of an 8-foot area.'" (pp. 39, 40)

"'You can't increase speeds anymore . . . not in red meat . . .' one southern California veterinarian . . . told us." (p. 40)

FSIS has not adopted new cattle-line speed requirements.

--In 1981, USDA codified staffing assignments that were already in place as a result of new equipment and technology, but which had not been uniformly implemented.

--This did lead to increases in line speeds at some locations.

C. Reagan Administration policies in meat and poultry inspection at slaughter endanger the consumer. "Under a new rule issued by the Reagan Administration, when an inspector suspects a problem on a slaughter line, he or she cannot slow it down without first obtaining permission from the inspector-in-charge, a process that could take several minutes, while the problem carcass continues to speed down the line." (p. 32)	C. Line slowdowns: For many years, it has been USDA policy that line speeds are to be controlled by the inspector-in-charge. --Any inspector is still authorized to stop the line in the event of a problem.
An Alabama inspector who had been with the program for 15 years is reported to have said: "'I have been told by a circuit supervisor to pass what the consumers would not recognize as having disease and to condemn the highly obvious.'" (p. 30)	This is not USDA policy, and if accurate, reflects a communication problem between inspectors in the field that will be corrected.
"Inspectors complain that higher line speeds, combined with mirror images used under new procedures, create what they call 'line-hypnosis'--a stupifying effect which hinders their performance." (p. 31)	This phenomenon of "line hypnosis" can exist under any inspection system. USDA attempts to relieve boredom through adequate rotation and break time, but the problem is likely to persist as the technology of production advances.
"Birds with 'cancerous tissues' are being missed and not condemned as required by regulation. One needs only to reinspect visually products from these lines to see crops, oil sacs, and diseased tissue that have been passed as wholesome." (p. 28)	Diseased tissue reaching consumers: any inspection system is not perfect. To judge effectiveness one would look at results and error rates. The USDA inspection system is a three-tiered enterprise. --First, USDA uses tested methodologies which have been shown to produce acceptable results. --Second, USDA has supervisors to assure that the procedures are being implemented as designed. --Third, USDA has an independent Review and Evaluation Staff which is able to spot-check that the other two systems are working.

"The Administration's policies make it more difficult for inspectors to detect diseased and adulterated meat." (p. 2)

"Field inspectors say the new Administration's program will endanger consumers." (p. 28)

To date department statistics show no significant difference in condemnation rates between 1975 and 1982 for poultry, swine, and cattle. If there were cause for concern due to reduction in intensity of inspection, one would expect a significant decrease in condemnation. The variability of the numbers does not support this concern.

	Number Inspected/Rate of Condemnation		
	1982	1981	1975
Young chickens	4,079 mil/0.87	4,059 mil/1.01	2,838 mil/1.12
Swine	80.5 mil/0.31	88.1 mil/0.32	72.7 mil/0.18
Cattle	33.2 mil/0.36	32.8 mil/0.34	35.0 mil/0.31

Chapter 4

STAFF SHORTAGES

This chapter alleges that a shortage of federal inspectors is jeopardizing the nation's meat and poultry supply, and that morale among inspectors is low.

Issue	Response
A. A shortage of federal inspectors is jeopardizing the nation's meat and poultry supply.	A. Responsive management demands that inspection services change with inspection needs. --Poultry and livestock entering slaughter facilities are dramatically healthier than in past years. • Better control has been accomplished, and many diseases, e.g., hog cholera and avian leukosis, have been eliminated. • Significant changes in animal husbandry practices also improve quality of incoming product. Hardier and more genetically similar strains are being bred. Growing environments are more controlled, leading to fewer diseases. --Slaughter facilities have become more mechanized, permitting inspectors to become more efficient in carcass inspection. --The Agency now provides more technical support to each inspector to ensure currency with industry practice. Significant scientific staff positions have been created since 1977; the residue program has been expanded to enable better control of new problems; the import/export review has been automated and is undergoing continuing modernization. --The correct test for inspection effectiveness is not the number of inspectors but how good the total system of inspection is.

"Both slaughter and processing inspection activities are short-handed." (p. 46)

In February 1981, "about 7 percent of the Agency's 5,995 authorized full-time slaughter inspector positions were vacant." (p. 45)

"Although Congress increased FSIS's meat and poultry budget by 5.1 percent from 1981 to 1983, USDA has refused to fill [slaughter-inspector] vacancies . . . as of November 1982 there were 584 inspector vacancies . . . with 331 [slaughter-inspector] vacancies." (p. 45)

The FSIS inspector corps is as well staffed as any large organization given normal attrition.

--The vacancy rate is low. FSIS is staffed at about 95 percent.

--The average inspector position is filled eight to ten weeks after it becomes vacant.

Vacant post-mortem inspector positions result in those inspections being performed by interim inspectors.

--Congress has mandated that inspection services be provided on demand to any eligible plant. Given that plants nationwide are constantly opening and closing and expanding and reducing operations, there is frequently a surplus of inspectors in one area and a shortage in another.

--Frequent changes in assignments, and reallocation of inspectors to fill them, are unavoidable, and result in so-called "vacancies." Among permanent, full-time employee assignments:

- At any given time, 5 to 6 percent of assignments are normally vacant. While vacant, they are competently performed by other qualified inspection personnel on an interim basis. These may be relief inspectors, part-time inspectors, inspectors on detail from other locales because their plant is temporarily "not operating," inspectors at the same locale working overtime, or even supervisors. In some cases, processing inspection vacancies are covered by doubling assignments.
- The Agency employs approximately 1,000 part-time inspectors for the express purpose of providing standby inspection resources.

Fewer inspectors are not a Reagan Administration phenomenon.

While FSIS is continually seeking ways to become more efficient and eliminate unnecessary expenditures in keeping with current budgetary concerns, FSIS has not been subject to budget cuts or personnel ceilings since 1981 that adversely affect its inspection corps. FSIS's resolve to better manage its inspector resources was a priority of the previous administration, as it is with the current one.

--A 1981 study done for Harvard's JFK School of Government noted that in 1977, Assistant Secretary Carol Tucker Foreman "was convinced of the merits of QC." She was quoted as saying to the Administrator of FSIS, Robert Angelotti: "Go tell your folks that they now have a chance to create a system they think can do the job. Tell your folks that we are going to change meat and poultry inspection to put a cap on the personnel costs of the program. Either they can do it their way, or I will go to the people at OMB or the people in [the Department's] economic and research service, and I will write it with them. You have a choice. It's going to be done one way or the other. We're going to cap those expenses in the next budget go round."

"A Wisconsin inspector explained . . . 'Whenever you reduce the amount of inspection, you reduce safety.'" (p. 46)

Slaughter inspectors complain they can't do their job. Slaughter lines are being staffed with untrained, over worked inspection personnel.

"One inspector in charge of an Arkansas poultry plant complained that . . . he is forced to pull his men off the processing and grading floors. These men, the inspector pointed out, don't always have proper training to work in the slaughter line." (pp. 47-48)

"In one Texas plant many inspectors work 10-11 hours daily, six days a week. 'It's exhausting,' says one . . ." (p. 49)

"Inspectors, though not required to, feel a great deal of pressure to put in the extra hours, especially since ambition and attitude are considered in performance ratings." (p. 49)

Reduced numbers of inspectors and person-hours on in-plant inspection activities do not equate to reduced safety.

--FSIS in recent years has pared back total inspector positions in slaughter plants (principally poultry) by instituting new procedures that permit inspectors to inspect more carcasses without any diminution in the effectiveness of their inspection, e.g., the Modified Traditional Inspection method was preceded by a statistically sound study illustrating that the new method, although faster, resulted in the same inspector error rate as the traditional (see discussion, Chapter 3).

--All slaughter floor inspectors are qualified. Almost all FSIS inspectors are initially trained as slaughter inspectors. Subsequent promotion does not preclude their being placed temporarily in a slaughter position if the need arises.

--Graders, except in a very few instances where they are cross-licensed, are not used for post-mortem inspections.

--USDA does not permit its slaughter inspectors to work more than two hours overtime in any one day. Inspectors may trade overtime assignments among themselves. The Agency calculates the average overtime wage for all inspectors is $15.45 per hour. Slaughter inspectors average 3 1/2 hours overtime per week, while processing inspectors average 7 hours per week. Interestingly, the Department has no record of any grievance filed in Washington from an inspector who was forced to work overtime, but has received many from inspectors who want to work overtime.

Processing inspectors complain they can't do their job. With regard to processing facilities, they do not have enough time to do adequate inspection.

"One Florida processing plant inspector described his work this way: 'It's called the "Houston Shuffle" [in honor of Dr. Donald Houston, FSIS Director] because you literally walk in [the plant], wave, turn around, and walk out . . . it's a dangerous dance.'" (p. 46)

". . . one inspector from the Sacramento, California, area says . . . that some plants illegally go uninspected for days at a time." (p. 48)

"Reginald Malone, a Miami inspector, is filing an unfair labor practice lawsuit against FSIS over staff shortages. Instead of filling vacancies, Malone explains, the agency remained understaffed and was forced to fill the gaps with part-time workers (WAE's). But eventually the WAE budget was depleted, and instructions to cut back on part-time work came down from Washington.

In the processing area, the law permits greater flexibility as to what inspectors need to look at when inspecting.

--This flexibility is needed because of the variety of processed products and processing equipment and procedures subject to inspection.

--The Agency has the discretion to distinguish between those plants that have a good quality control program and those that do not, and inspect accordingly.

--In a federal court case brought by AFGE against the Department over this issue, the court stated, in granting summary judgment to USDA:

"The trade-off between obtaining more information at the possible expense of less eyeball inspection is one that seems to me the Secretary was clearly entitled to make . . . when determining . . . the most efficient execution of the statute." AFGE et al. v. Block, C.A. No. 81-2533 (D.D.C. March 5, 1982).

The remaining inspectors have to bear the burden: 'Consequently we're going to pull the inspectors off the processing floor and onto the kill floor . . . what happens to positions that the processors vacate?'" (p. 47)	Few processing inspectors work in slaughter positions. --In 1981, an average of 15 processing inspectors, out of an average total of 2,133 inspectors—less than 0.8 percent, were detailed to slaughter inspection lines at any one time. --In 1982, the average was 11 processing inspectors out of 2,156 on board--less than 0.5 percent.
Plant owners won't voluntarily do the job. Most plant owners will cheat if not closely watched by a federal inspector. "Expecting most plant owners to voluntarily uphold high standards is foolish, according to most of the inspectors we interviewed." (p. 46)	USDA conducts millions of inspections each year, and violators are caught. However, industrial operations vary. --USDA has in the past and will in the future prosecute plant owners who willfully violate the law. --Inspection resources should be focused primarily on the small proportion of unscrupulous and careless operators.
A July 30, 1981, GAO report found unsanitary conditions/practices in a number of slaughter plants. "One of the reasons cited for the deficiencies was the shortage of staff." (p. 45)	With regard to inspectors, the GAO report recommended that FSIS: "Instruct slaughter plant inspectors and supervisors to give increased attention to assuring that (1) ante-mortem facilities and equipment are properly maintained, and (2) inspectors perform their examinations of edible and inedible products in the prescribed manner." The report also stated, "We found no major overall problems with the quality of ante-mortem and post-mortem inspections." FSIS nonetheless undertook the following projects to further strengthen the program: --New quality control systems for reinspecting edible meat and poultry byproducts, such as tripe.

	—A field realignment designed to improve communication and supervision of slaughter plant inspectors and supervisors. --The updating of performance standards which cover ante-mortem and edible and inedible by-products inspection. --The development of more refined self-instructional training guides and audio-visual programs which detail inspection requirements and procedures on ante-mortem and edible and inedible products inspection and control. The GAO report did not recommend hiring more inspectors.
B. Morale is low. "(C)ancelled leave, detailing, and overtime cause morale problems. Most of the inspectors we interviewed were dispirited and fatigued." (p. 51) "FSIS officials brush off inspector concerns as mere union rhetoric aimed at maintaining jobs." (p. 52) A NIOSH survey found that "almost half the full-time inspectors reported too much overtime. Social support from one's immediate supervisor, serving as a stress buffer, was low compared to that reported in other occupations. Job dissatisfaction, boredom, anger, and fatigue/inertia are some of the resultant effects." (p. 52)	B. Inspector morale is a concern, but most inspectors seem to be satisfied with their jobs. --Clearly there are problems between management and the inspector unions, as indicated by increased grievances. --In a preliminary 1982 survey, when inspectors were asked "Are you satisfied with your job?" 94 percent answered "Yes." --The 1982 survey indicated the one aspect of their jobs most worrying inspectors was job security. --The NIOSH report illustrates the conflict between technological progress and human capacity to accommodate it. USDA continues to grapple with the problem by providing break time and rotating inspectors, where permitted by the union agreement. USDA recognizes the need for continued improvements in communications with its employees and their union representatives.

Chapter 5

LESS THAN CONTINUOUS BILL

This chapter alleges that "less then continuous" inspection does not adequately protect the consumer; that the Total Quality Control (TQC) program is undeveloped and expensive and is being overly encouraged; that proposed legislation does not penalize noncompliance; and that the USDA proposes to stop daily inspection.

Issue	Response
A. "Less than continuous" inspection lacks adequate controls for the consumer. "But the most stark reflection of USDA's new attitude towards the meat industry is in the proposed legislation which would allow meat and poultry processing plants to police themselves. This less than continuous inspection legislation lacks adequate controls for consumers: it does not mandate how often federal inspectors must enter meat processing plants (current regulations required them to check each plant daily); neither would the industry be required to implement total quality control monitoring systems which provide some measure of protection for the consumer." (p. 4, Introduction)	A. On three separate occasions (GAO, 1978, 1981; Booz, Allen, and Hamilton, 1977) independent organizatons have suggested the concepts embodied in the proposed legislation to increase the Secretary's authority to determine the degree of inspection. --GAO (1978): Congress should amend the Acts authorizing the Secretary of Agriculture to: "Make periodic unannounced inspections of meat and poultry processing plants, tailoring the inspection frequency to the inspection needs of individual plants based on (1) the reliability of the plant's quality control system, (2) the plant management's attitude toward complying with inspection requirements, (3) the plant's history of compliance with inspection requirements . . ."
"Designed to save money and reduce on-site inspection personnel, the legislation would eventually cut the number of federal processing inspectors in half . . . But concrete blueprints for the program's structure--showing how those savings will be accomplished--have not yet been finalized." (p. 53)	The purpose of the legislative proposal is to allow the Secretary more efficient and effective use of inspection resources, and to allocate these resources where problems are significant. It allows the intensity of inspection to be tailored to relevant factors such as the compliance history of each processor.

"If less than continuous legislation passes, USDA officials say these self-regulated facilities will be the first to receive less vigorous government oversight. They may go for several days, even weeks at a time without inspectors looking over their shoulders." (p. 55)	In our experience, some plants need more extensive oversight than others. --As stated in the Bill, the manner and frequency of inspection would be based on factors which include (1) the compliance history of the plant, (2) the nature and frequency of the company's operations, and (3) the adequacy and reliability of the plant's product monitoring system. --These factors are similar to those used by other government health and safety regulatory programs, such as EPA and FDA. Plants in the TQC program would likely be in a better position to qualify for less intense inspection.
"All the duties [traditional inspection tasks], present USDA and industry officials believe, should be assumed by the plants themselves, with occasional spot-checking by the government. Technology now used by much of the meat processing industry has vastly outpaced examination procedures, leading both budget-minded federal and industry officials to call for the modernization of an archaic inspection process." (p. 54)	The inspection process does have to be modernized and updated. --Plants with quality assurance procedures have better control and are more productive. --Likewise, inspectors trained in quality assurance conduct better and more efficient inspection.
B. The TQC program is undeveloped. "Under the program [TQC] companies with quality control programs are responsible for costs of their own self-styled monitoring system, which is subject to USDA approval. In return, they receive a less than continuous form of inspection. Federal inspectors are in the plants less frequently . . ." (p. 55)	B. Given the current laws, establishments under TQC receive continuous FSIS inspection. However, an inspector could spend less time in a TQC plant yet have better knowledge of the plant's operations. Studies indicate a 46 percent savings in work measurement staff-years would be possible in TQC plants if more targeted inspection were allowed. --Programs are not "self-styled." All plants under TQC must submit their quality assurance procedures for FSIS approval. --Areas covered include sanitation, product preparation, labeling and net weight, and record keeping. Specific USDA criteria are spelled out in its regulations.

"No one is quite certain whether total quality control, which can be expensive for industry, will be mandatory before a plant qualifies for less than continuous inspection. (p. 61) "And because of the expense of total quality control systems, it is likely USDA, at least under the Reagan Administration, will approve plants for less than continuous inspection that don't have full systems in place." (pp. 60-61)	As of February 4, 1982, there were 128 plants in the TQC program, ranging from very small, one-person operations to large, complex processing plants. In a June 1982 cost-benefit survey conducted by FSIS on a sample of TQC plants, the average initial cost expenditure was $2,853. On the other hand, the average savings in USDA overtime alone was $8,277. All plants reported benefits within the first year of operation under TQC. Many plants have adequate and reliable quality assurance programs that are not TQC. FSIS wants to maintain industry flexibility in meeting quality assurance requirements.
"Moreover, USDA's experience with quality control systems is limited, and in light of recent problems found inside some current quality control plants, optimism about the program might be premature. For example, salmonella contamination in precooked roast beef in what the Agency considers one of the better plants was discovered last year. Without FSIS inspector presence, the problem could have continued undetected. As it was, nearly 85 percent of the 1,200 pounds of the contaminated meat was consumed by the public." (p. 62)	The Agency's experience with quality control programs began in the 1960s. Today, the Agency approves and monitors about 1,800 partial programs in over 600 establishments that cover 42 control areas, such as fat and moisture, labeling, and net weight. The salmonella incident stated in the report was detected by the Salmonella Surveillance Program, a program initiated in January 1982. --The inspector present did not discover this incident. Rather, a routine sampling procedure revealed one positive sample. --A potential contamination of 1,248 pounds was involved; 526 pounds (42 percent) were recovered. No reports of salmonella-related illnesses were received.
"Inspectors without [TQC] training are not permitted to inspect total quality control plants--neither do they receive the promotion that comes with being certified as a quality control inspector. Inspectors report that they are being instructed to encourage plant operators to adopt the system. Success, they are told, could also mean a promotion." (pp. 62-63)	FSIS does encourage plants to develop quality assurance programs. Inspectors do not automatically receive promotions under TQC. Promotions depend on the complexity and nature of new assignments for all inspectors.

"USDA has made it difficult for outside groups to obtain an unbiased analysis of the quality control program. In May 1982, Assistant Secretary McMillan announced to the American Meat Institute that his agency has exempted [quality control] data and any related records from Freedom of Information Act requests and you can be assured that any confidential information from your plants will remain protected." (p. 63)	FOIA exempts particular commercial and financial information which is privileged or confidential from mandatory release by government agencies. [See 5 U.S.C. 552 (b) (4).] USDA policy dates back to publication of the final rule on TQC by Assistant Secretary Foreman on August 15, 1980.
"The Agency should experiment further with the quality control program, eliciting honest assessments from inspectors in the field." (p. 63)	The Agency is developing an evaluation of the TQC program, including personnel assessments, which will be available by Fall 1983.
C. The proposed legislation does not adequately address compliance issues. "The question is whether industry would assume quality control responsibilities in good faith, especially under a less than continuous surveillance system." (p. 56)	C. The Agency's experience demonstrates that the effectiveness of inspection depends less on the number of hours an inspector spends in an establishment than on the commitment and ability of a firm to produce safe, wholesome, and properly labeled product. In the TQC experience to date (2.5 years), no failures have been reported.
". . . the legislation makes no provision for penalizing cheaters, even though studies have shown the Agency's current system of penalties is ineffective." (p. 4) "The most serious flaw in the proposed legislation is the omission of any stiff civil penalties or economic sanctions against plants that break public trust. Under existing meat and poultry laws, criminal sanctions are possible but rarely used . . . if a plant attempts to pass adulterated product, the inspector usually sends it back--the owner is not fined for violating the law. For chronic violators the Agency issues letters of warning." (p. 60)	A number of effective sanctions exist. --Current sanctions available include detaining or seizing product, court injunctions, letters of warning, consent orders, referring cases to the U.S. Attorney for criminal prosecution, and withdrawal of inspection from a plant. --In FY1982, pounds of product seized went from 180 in FY1981 to 31,028. In the same time period, letters of warning increased by 20 percent, while pounds of detained product remained constant at 6.8 million.

	The effectiveness of civil penalties is questionable, as demonstrated by the experiences of EPA and APHIS. --EPA's civil fine structure is statutorily established and complex, and requires that a number of factors be considered. Eighty percent of cases where civil penalties are sought are settled by consent orders. --APHIS experience is that the majority of civil penalty cases go to formal hearings, which require staff and witness resources, and that civil penalties do not deter repeat violators. Therefore, opinions of the effectiveness of the sanctions are mixed.
D. USDA tried to eliminate daily poultry inspection without congressional debate. "Anxious to begin the less than continuous inspection program, USDA officials jumped the gun last fall with a proposal to lift the requirements for daily inspection of poultry processing plants. Agency officials cited a clause in the Poultry Products Inspection Act to justify the measure. Calling the move illegal, Representative Thomas Harkin (D-IA) intervened on behalf of the inspector's union. USDA immediately dropped plans." (p. 62)	D. The Office of the General Council (OGC) has advised the Agency that the Poultry Products Inspection Act gives the Secretary certain discretion to determine levels of inspection in poultry processing establishments. "The Secretary, whenever processing operations are being conducted, shall cause post-mortem inspection of the carcass of each bird processed to be made by inspectors, and at any time such quarantine, regulation, and reinspection as he deems necessary of poultry and poultry products capable of use as human food in each official establishment processing such poultry or poultry products for commerce or otherwise subject to inspection under this Chapter." [21 U.S.C. §455(b)] The Department decided not to proceed with this concept until the Congress had an opportunity to consider new legislation in the next session.

PROCEDURE CHANGES

Senator COCHRAN. Do you anticipate making any changes in your procedures or doing anything differently as a result of your review of the report? Does it bring anything to your attention that you feel should be corrected?

Dr. HOUSTON. I think it points out that we probably haven't been doing a good enough job from the headquarters level in communicating with our field employees. I think we could improve our performance in that area. I believe a lot of the alleged problems that were pointed out in the Nader report came as a result of poor communications and our inability to communicate properly with the 10,000 people in the agency.

SUBMITTED QUESTIONS

Senator COCHRAN. Dr. Houston, I have a few more questions which, if it is all right with you, I will submit in writing and ask for your response for the record. We appreciate your being here this morning and providing your testimony in support of the budget request. Thank you.

Dr. HOUSTON. Thank you very much.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR COCHRAN

POULTRY INSPECTION

Question: Since the enactment of mandatory poultry inspection in 1957, the Poultry Products Inspection Act has called for an individual inspection to be made on each bird by USDA inspectors at the time of slaughter. In light of improved flock health and technology, do you believe this requirement is still necessary?

Answer: Although the Poultry Products Inspection Act requires the individual inspection of every carcass at the time of slaughter, it is left to USDA's discretion to determine how that inspection is to be accomplished. We have been working within the limits of our legal authority to improve the efficiency of poultry inspection for some years; we introduced the first improvement, modified traditional inspection, in mid-1979. The latest improvement, the New Line Speeds procedure, is almost ready for inplant use. It appears, however, that any further substantial improvements in efficiency would require using plant employees to perform some inspection tasks under federal supervision, and that change would entail amendment of the law. We recently completed a study of flock characteristics and their relationship to condemnation rates, and are now considering carrying out studies to test the effectiveness of some form of combined inspection procedure.

Question: Can alternative systems be developed which reduce inspection costs to the Government, but do not lower the quality of poultry being purchased by the consumer?

Answer: We are continually examining alternative inspection methods which will reduce the cost of inspection without any loss of effectiveness. The most recently tested technique, the New Line Speeds or NELS procedure, assigns to plant employees the responsibility for trimming poultry carcasses for defects like bruises and dirt. FSIS inspectors verify the adequacy of the trimming and perform all the essential inspection tasks necessary to pass or condemn each carcass. Under present law, it is doubtful that FSIS can make poultry inspection appreciably more efficient than our latest techniques allow.

Question: Would your Agency be prepared to conduct detailed scientific studies if such changes were considered feasible?

Answer: We will be glad to participate with other agencies, universities and private industry in testing any proposal which offers a reasonable expectation of improved efficiency.

PROPOSED LEGISLATION

Question: You are proposing a legislative change dealing with processing inspection. Please explain the proposal and the rationale behind it.

Answer: The Federal Meat Inspection Act and the Poultry Products Inspection Act require daily inspection of all plants which further process meat and poultry. This system of daily visits, which has come to be known as "continuous" inspection, was determined to be necessary when the Acts were passed because of the insanitary conditions which were prevalent at that time.

Over the years, methods of further processing meat and poultry have evolved from relatively simple procedures such as cutting and boning into highly sophisticated, technologically advanced operations. Food processors today produce a much greater volume and variety of safe products of consistent quality by employing automated mass production equipment, scientific information gathering techniques, and improved process monitoring capabilities. These advances in technology reduce the risk of product adulteration and in so doing reduce the need for continuous inspection.

The legislation we are proposing would enable the Secretary to exercise discretion in determining the frequency and intensity of inspection on a plant by plant basis. This will allow FSIS to allocate its inspection resources in a way to deal more efficiently and effectively with the many different kinds of inspection situations we face today.

Question: What savings, if any, would result?

Answer: We estimate savings of 81 staff years and $2 million in the first full-year of compliance-based processing inspection. Furthermore, if enough plants qualify for reduced frequency of inspection for us to realize the maximum inspector attrition rate, we project five-year cumulative savings of up to $55 million and the elimination of about 900 inspection positions.

Question: What will be the impact on the quality of the inspection process?

Answer: The inspection process will be improved. We will establish criteria to assure that every establishment will receive as much or as little inspection as necessary. The criteria for determining the degree of inspection for each plant include: the nature and frequency of its processing operations; the adequacy and reliability of its product monitoring processes; and its history of compliance with inspection requirements. The inspection system, therefore, will be tailored to the requirements of individual situations while permitting this Agency to employ resources in the most effective and efficient manner.

Question: Is this the same legislation proposed last year?

Answer: This is the same legislation that was proposed last year except for two changes. First, the language changing the inspection brand from "inspected and passed" to "Prepared in a USDA inspected establishment" has been stricken from the 1983 proposal. Second, there is now language specifying that participation in the Total Quality Control program will not be required for plants to qualify for Federal inspection.

Question: What happened to that request?

Answer: Hearings were held before the Agriculture Subcommittees in both the House and Senate last summer, but Congress adjourned without a vote on the bill.

AUSTRALIAN INCIDENT

Question: Would you outline the steps you took to tighten control over imports following the discovery of Australian horse and kangaroo meat being substituted for boneless beef?

Answer: At the time of the Australian incident, we were in the first stages of revising our approach to foreign review. Instead of using a plant-by-plant record as the basis for judging product safety and adulteration, we are introducing a more comprehensive system based on objective measurement of a foreign system's total capability for insuring product integrity, as recommended by a 1979 agency task force. When the Australian incident was brought under control, this process of revision was strengthened and accelerated. The amendments to the inspection acts included in the Farm Bill of 1981 also contributed to this process of revision by making the responsibilities of foreign inspection systems more explicit.

Upon the conclusion of the Australian incident, we immediately began to routinely test domestic and imported boneless meat for species and to notify foreign governments that they would have to operate species testing programs when appropriate. But the most comprehensive preventative to product tampering is the new requirement, initiated in January 1982, that foreign systems include a compliance function. Long a part of the USDA inspection system, the compliance activity complements in-plant inspection by checking product controls throughout distribution channels.

We are now carrying out several additional phases of our import revision. We are compiling the information necessary to evaluate each certified country's product control system. Surveys of the major exporters have been completed and are being evaluated. Additional foreign facilities and operations are being reviewed, such as pet food plants, storage areas, port facilities and rendering plants. Each country's regulatory authority and its enforcement program responsible for performing investigations and prosecutions are being reviewed. The risk of exporting illegally prepared products is being assessed and new review procedures instituted as necessary.

We are also making changes in our point-of-entry inspection. We have inaugurated a species identification monitoring program. To date, with nearly 1,500 samples analyzed, no violations have been found. A comprehensive review of all port-of-entry inspection procedures also is underway, and all import inspectors have received further training.

The 1981 Farm Bill amended the Federal Meat and Inspection Act to require that imported meat food products for human consumption be subject to the same inspection, sanitation, quality, species verification, and residue standards applied to domestic products. On February 10, 1983 we issued the rules implementing this requirement.

We have taken several more steps toward full and prompt implementation of the 1981 amendments. A cable has been sent to each certified exporting country with a copy of the proposed regulation. Our foreign program reviewers have obtained detailed residue testing information from each exporting country and we expect to have this data compiled by April 1. Those countries whose circumstances require a species testing program but where one is not in place will be notified to take corrective action.

Residue testing of imported product has continued. Violations detected through routine monitoring decreased dramatically from 1980 to 1982. In 1982, we found only one residue violation in imported product under our monitoring and other testing programs.

The Costa Rican incident of early 1982 demonstrated that we needed better control of product rejected at the port of entry. On August 14, 1982, we published an interim rule to tighten procedures used in controlling and disposing of refused-entry meat and poultry products. This rule, which decreases the likelihood that such product will illegally enter the marketplace, formalizes and strengthens procedures adopted last spring.

BUDGET INCREASES

Question: I notice a healthy increase ($2.8 million) in your budget for "slaughter inspection." I realize most of this is for pay costs, but to what is the rest of the increase attributable?

Answer: The requested increase for Slaughter Inspection consists of $1.9 million for pay cost annualization and $0.9 million for operating costs associated with such things as: workmen's compensation, costs of new relocation allowances, Federal contribution to the employee health benefits program, rising inspector travel costs, and unemployment compensation for former employees.

Question: There is likewise a large increase ($2.3 million) in the request for "Grants to States." What is the justification for this increase, and how do these grants operate?

Answer: The requested increase will provide funds to cover inflationary increases in Grants to States for 50 percent of their inspection program. Federal/State Cooperative Agreements allow inspection to be performed entirely by State personnel with the State to receive reimbursement for up to 50 percent by the Federal Government, provided that State inspection programs are "at least equal to" Federal programs.

CLOSING AREA OFFICES

Question: Last year the Committee expressed its concern over the proposed closing of 27 area offices, and, in fact, directed that they remain open. Are those offices all open today?

Answer: We have kept the 27 area offices open.

Question: Are there any plans to close any of them?

Answer: We have no plans to make any changes in the field office structure until we have completed the studies that the Congress also outlined as a prerequisite. These detailed studies will assess the effect which earlier area office closings had on the industry and the inspection program, and will analyze the costs and benefits of maintaining the area offices, while eliminating the five existing regional offices. Upon completion of these studies, we will consider proposing changes that seem appropriate.

Question: Are there any proposals to close any other facilities?

Answer: There are no proposals to close any other of our facilities.

STATE DESIGNATIONS

Question: What is the current status of an earlier trend of States turning inspection programs over to the Federal Government?

Answer: Seven States have surrendered their inspection activities to the Federal government in the past five years. Maine relinquished its inspection program to the Federal government in FY 1980. In FY 1981 Arkansas, Idaho and the Talmadge-Aiken plants in South Carolina were designated to receive Federal inspection. At the beginning of FY 1982, the Rhode Island and Michigan programs became Federal. Thus far, in FY 1983 due to budgetary restraints, Utah has terminated its Talmadge-Aiken inspection program .

Question: Are we continuing to see the loss of State inspection programs?

Answer: Currently, twenty-seven states maintain their State inspection programs, while twenty-three States have chosen to relinguish their meat and poultry inspection responsibilities to the Federal Government due, in large part, to budgetary restraints. Recently several States have considered terminating their programs, but after reconsideration have decided to keep them for the present time. We have no indication that any State will terminate its inspection program this year.

Question: You mentioned Utah in your statement. Is it true that Kansas is considering turning its program over to the Federal Government?

Answer: Kansas was considering terminating its inspection program but has decided to continue it, at least for another year.

NADER REPORT

Question: As a result of a recently released study called Return to the Jungle: How the Reagan Administration is Imperiling the Nation's Meat and Poultry Inspection Program, charges are mounting that FSIS inspections do not adequately protect public health. Has FSIS reviewed the study and come to any conclusions?

Answer: We have reviewed the study thoroughly and our conclusions are detailed in the Agency response. I should point out that the study did support a conclusion we had reached independently: that we must make more of an effort to inform field employees of the changes taking place in their Agency. Many of the findings of the study appeared to be based on misunderstandings on the part of our own employees about Agency policies and practices.

Question: Will any changes be made because of the study?

Answer: Before the study appeared we had already begun to inform our field staff of our activities. "Supervisory Notes", a biweekly newsletter for inspection supervisors has been distributed since last November and the FSIS Communicator, a bimonthly newsletter for all employees, began distribution in January.

NATIONAL RESIDUE PROGRAM

Question: The National Residue Avoidance Program was implemented in Fiscal Year 1981 to help farmers eliminate drug and chemical residue problems in livestock and poultry sold for slaughter. Would you provide an update on the activities with the Extension Service under the National Residue Program?

Answer: We have coordinated with the Extension Service for the award of contracts to universities involving 35 projects in 31 states. Collectively, these projects cover all types of contamination encountered in the meat and poultry industry, such as drug residues, pesticides, industrial and environmental contaminants, and natural toxins. The projects are directed toward all segments of animal production including minor species and also cover the needs of both large and small production units.

The components of the program may be broadly classified in four phases: The first phase requires an identification of information that is already available to aid the producer in residue prevention, and the means by which the information can be made more readily available to him. In the second phase demonstration projects will be developed to fill voids in essential information and to develop practical methods for on-farm implementation of control measures. The third phase of the program will concentrate on the development of training materials for veterinarians and producers to promote awareness of residue problems and use of effective prevention measures. Finally, in the fourth phase, we will deliver the informational material to producers and veterinarians, and encourage their use by Extension Service and industry in a continuing education program.

Because the basic thrust of the program is education, FSIS has requested the initial funding, but has ceded the lead agency role to the Extension Service. During the past year we have also worked closely with the various industry groups through the National Drug Committee of the Animal Health Institute. The industry response has been positive and industry members have formed a task force to ensure effective coordination and support for the program.

Question: How much benefit do farmers really receive from this service, and how do you evaluate the benefits?

Answer: It is difficult to estimate the economic benefits with precision because of a lack of information on total losses. However, evidence indicates that losses are substantial and therefore, the potential for producer savings from an improved residue avoidance program will make the program cost effective.

During the first half of 1982, the estimated cost of product loss from condemnation because of residues in USDA inspected plants was $91,695. This is a major improvement over the comparable losses reported for 1981 which were approximately $818,000 for the year. However, neither figure accurately fixes the price paid by the public for residues. These figures do not account for substantial product losses which occur on the farm and are not ordinarily reported to regulatory agencies. For example, in 1981, through special inquiry, we learned of 17 residue incidents which resulted in losses of $10.7 million. Even these estimates are probably understated because not all incidents nation-wide are reported and because associated factors such as medical expenses, loss of weight, and loss of production are not always included.

Nor are costs included for the follow-up regulatory actions associated with the retention and testing of animals from producers whose animals previously were found to be in violation.

The Residue Avoidance Program's primary benefits are: a reduction in consumer exposure to unnecessary residues in meat and poultry; improved knowledge among producers of the optimum use and control of agricultural chemicals in their management systems; and confidence that contamination losses can be prevented. There is evidence that benefits to producers do occur. For example, the sulfa residue violation rate was reduced from 10-15 percent in swine coming to market to a current rate of 4-6 percent. This sulfa residue reduction program for swine, resulted in improving public confidence as well as the market for pork products. The residue levels were a result of lack of producer awareness and cross contamination in the feed mill between batches of feed.

There was also a problem of antibiotic residues in cows culled for disease reasons. This problem was reduced by working with industry leaders in an educational effort and introducing our first inplant screening tests. The violation rate dropped from 4 percent to 0.5 percent.

We know from our experience with the sulfonamide residue problem in swine and the antibiotic problem with cows, that improved knowledge and producer awareness through education can have a significant effect in reducing residue levels. The Residue Avoidance Program extends the opportunity for greater self-control over residues to producers who do not have the knowledge or capacity to undertake such programs without assistance.

RESIDUE MONITORING PROGRAM

Question: In a 1979 report, "Problems in Preventing the Marketing of Raw Meat and Poultry Containing Potentially Harmful Residues" (HRD-79-10, April 17, 1979), GAO found that 14 percent of the raw meat and poultry sampled by USDA during 1974 to 1976 contained illegal residues of animal drugs, pesticides, or environmental contaminants. GAO also found that the Food and Drug Administration, which has the responsibility for taking regulatory action against violators of residue tolerances, could not do so effectively because USDA data was insufficient to develop cases. USDA agreed with the GAO that its residue monitoring program should be substantially diversified through sampling for more substances and increasing the sample volume.

The USDA Food Safety and Inspection Service (FSIS) administers USDA's residue programs. FSIS' National Residue Monitoring Program is supposed to test with a 95 percent confidence level that the incidence of illegal residues in raw meat and poultry is less than 1 percent nationwide. When does FSIS plan to take enough samples under its National Residue Monitoring Program to ensure that statistically valid statements can be made based on sampling results? As an example, in 1981, FSIS analyzed 30 samples for the presence of sulfa drugs in bulls and found no violation, but because the samples was so small, a 4.2-percent chance existed that the true violation rate could be greater than 10 percent.

Answer: The monitoring program is designed to provide early warning about a significant problem so that corrective action can be taken. The program is designed to provide information that ensures with 95% confidence that a problem affecting 1% or more of the target food population, will be detected.

We believe that the sampling level is adequate to enable us to draw statistically valid conclusions about residue trends and frequency distribution. This information has enabled us to adjust our sampling levels to more intensively sample those categories of animals where sulfa residues are most likely to be found, and to less intensively sample those categories, such as bulls, where sulfa residues are rarely found.

We have collected sufficient data to show that the primary sulfa problem in food involves pork, veal and turkey. The incidence in beef is comparatively lower. Among the total animals slaughtered for beef annually approximately 50.7% are steers, 25.4% are heifers, 22.4% are cows and 1.5% are bulls. In 1981, we analyzed 151 samples from steers and 156 samples from heifers and found only one sulfa violation in each group. Based on the indications for drug use, there is some reason to suspect that culled dairy cows might be at highest risk regarding probable residues. Therefore, we collected a much higher proportion of samples from this production class to assure ourselves greater statistical reliability in the findings; 313 samples were analyzed and one violation was found. Collectively, these data (heifers, steers, and cows) provide a high degree of reliability concerning the incidence of sulfa residues in beef. Bulls, on the other hand, are only a small portion of the beef supply; they are expected to be at low risk for probable violative residues of sulfas compared to other compound classes, such as, chlorinated hydrocarbons and antibiotics; data collected over several years on sulfas in bulls (although the sampling each year is small) show the absence of sulfa violations in bulls.

Question: For FY 1982, USDA requested $3.5 million to increase its capability to analyze residue samples. No additional monies for increased sampling were received. In 1982, the FSIS laboratories analyzed more economic adulteration samples than residue samples. Why are FSIS Field Services Laboratories analyzing more economic adulteration samples than residue samples?

Answer: Sampling for economic adulteration acts as a quality assurance check of inspection program controls in the more than 6,000 establishments which further process meat and poultry. In the absence of universal plant-operated quality-control systems, a large number of samples must be taken to verify that processing plants are producing wholesome, unadulterated product.

The rationale of the residue testing program is different. As a first step, nationwide animal and bird populations are randomly sampled to disclose problem areas: about 20,000-25,000 samples provide reliable statistical data. As a second step, there is surveillance sampling which is concentrated on defining the problem area so that preventive action can be taken. We have learned enough through this approach to introduce cooperative residue avoidance systems with producers, most notably in the poultry industry.

Question: Are economic adulteration problems more critical than residue problems?

Answer: Economic adulteration problems are not more critical than residue problems. However, we are required by law to carry out regulatory activities in both of these areas.

It should also be noted that while we test a larger number of samples for economic adulteration, the time and resources required for these tests is only about one-half what is required for residue testing. So a comparison of the numbers of samples tested in these two areas is not representative of the resources we are devoting to each.

Question: Why are additional resources needed to increase FSIS staff when USDA indicated in the past that it was more cost-effective to contract out certain kinds of samples for analysis?

Answer: We are not requesting any additional staff for fiscal year 1984. The additional funds requested will only permit us to continue our programs at their present levels.

In our laboratory program we are currently contracting as much as we believe we safely can, and we do not see any opportunity for reducing our staff through additional contracting of laboratory work.

We are presently contracting out approximately two-thirds of the economic adulteration testing. The remaining economic adulteration testing is primarily quality control and compliance work which must be performed in Federal laboratories to assure uniformity of results nationwide. Residue testing, which composes most of the remaining Federal laboratories' work, is very complex and time consuming, and non-FSIS laboratories do not have the capability to test for many residues.

Question: Has USDA considered charging the meat and poultry industries for sample analyses which become necessary when a widespread residue problem is identified?

Answer: The analysis of samples for residues is an integral part of the total inspection program. We have in the past, examined the issue of user fees for meat and poultry inspection services, and have concluded that this method of financing is not appropriate from the standpoint that we provide a service that benefits the general population.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Senator COCHRAN. Next, we have the Acting Administrator of the Animal and Plant Health Inspection Service, James O. Lee, Jr.

I should point out for the record that APHIS, as it is normally called, is responsible for conducting disease and pest control activities aimed at protecting the Nation's animal and plant resources. This agency coordinates a number of programs with State and local agencies and other organizations to control, eradicate, and prevent the movement of plant and animal diseases and pests that damage American agricultural productivity. The request for fiscal year 1984 is $227.1 million. That is $46.8 million below the amount appropriated last year.

Mr. Lee?

Mr. LEE. Thank you, Mr. Chairman. I have a short statement which parallels the formal statement we have submitted to you in written form.

With the permission of the Chair, I would like to introduce four of my associates in APHIS who are with me today.

Senator COCHRAN. Yes.

Mr. LEE. On my immediate left is Sam Ladd, the Director of the Budget and Accounting Division. Behind me is John Atwell, the Deputy Administrator for Veterinary Services; Harvey Ford, Deputy Administrator for Plant Protection and Quarantine; and Larry Slagle, Deputy Administrator for Management.

Senator COCHRAN. Thank you.

APHIS FISCAL YEAR 1984 BUDGET APPROACH

Mr. LEE. Mr. Chairman, our fiscal year 1984 budget proposes a number of increases and decreases. Underlying these budget decisions were basic reconsiderations of the role of APHIS and its various components, particularly in today's economic climate. This led to the application of three basic principles in developing the 1984 budget.

The first principle is that APHIS plays an absolutely necessary role as a national leader in designing and implementing programs to preserve and protect the agricultural community from dangerous pests and diseases. Second, we have never been able to put all the necessary resources into every activity which we have been asked to perform; therefore, priorities must be set. Each year these choices become more difficult. Finally, we have moved to increase program participation by the groups directly involved in APHIS' work—the States and producers who benefit from our efforts.

That is my opening statement, Mr. Chairman.

[The statement follows:]

STATEMENT OF JAMES O. LEE, JR.

Mr. Chairman, members of the Committee, it is a pleasure to appear before you to discuss the Animal and Plant Health Inspection Service (APHIS) Fiscal Year (FY) 1984 budget proposals. Your Committee and staff have long recognized the need for, and strongly supported, programs to safeguard our Nation's high agricultural productivity from the impact of diseases and pests.

To help me present the program and budget proposals, Mr. Samuel V. Ladd, from the Budget and Accounting Division is here at the table. The Deputy Administrators for Veterinary Services, Dr. John K. Atwell; for Plant Protection and Quarantine, Mr. Harvey L. Ford; and for Management, Mr. Larry Slagle, are also here. They are prepared to respond to technical questions about particular program areas. All have appeared before the Committee on earlier occasions.

The past year has again been challenging to APHIS, in both the technical and the financial management aspects of our protection assignment. We remain committed to strengthening the basic requirements of a national agriculture health protection system. Tight budgets require that we deal with disease and pest threats as early as possible, when costs are lowest and large losses have not yet occurred. Accordingly, we have improved our capabilities and concentrated our resources on prevention, detection, and emergency response.

International Role of APHIS

The best method of prevention is to keep foreign diseases and pests away from our borders, extending the exclusion concept beyond our ports-of-entry. On the plant protection side, we have accorded full project status to international operations rather than conducting them as a subfunction of the agricultural quarantine inspection (AQI) program. By stationing APHIS employees full-time in key locations throughout the world, we can exchange information with foreign experts, track the spread of diseases and pests, and gather data on effective treatment methods. Another aspect of this international approach has been an

increase in preclearance operations of fruits and plants. This helps prevent the entry of foreign plant pests and has proven less expensive for U.S. importers, who pay most of the costs involved.

A major accomplishment of our international plant protection efforts in 1982 was the eradication of the Mediterranean fruit fly (Medfly) from Mexico. While isolated reintroductions of Medfly from Guatemala are likely to occur in southern Mexico, we believe the threat to the United States has been significantly reduced.

APHIS is making progress in its international animal health programs as well. We pushed the screwworm farther away from our border in 1982, through the release of sterile flies and pelletized bait. We are now operating in the southern Mexican States, and, in spite of Mexico's difficult economic situation, the outlook for eradication to the Isthmus of Tehuantepec by the end of 1984 is excellent. The ultimate cost of a sterile fly barrier at this location will be far less than fighting the screwworm along the 2,000 mile U.S.-Mexico border. We also continue to cooperate with Mexico, Central America, and Colombia to combat FMD.

The Caribbean Basin Initiative provides APHIS with the opportunity to assist in an important national policy effort and address the problems of a region where less developed animal and plant health systems increase the threat of pest and disease entry into the United States. Several low-cost programs are under consideration which match APHIS goals to Caribbean Basin needs. For example, we could provide the leadership and technology to conduct screwworm eradication programs in several Caribbean nations.

Domestic Surveillance and Detection

Our ability to detect and react quickly to diseases and pests which enter the United States is also important to providing cost effective protection for American agriculture. During the past year, we moved to merge the more than

2 million hours of pest survey work now done annually by the States into a national pest survey and detection system. This Federal-State cooperative project, which now includes 44 States, provides for rapid collection, storage, retrieval, and distribution of data, improving our chances of discovering potentially damaging plant pest problems at the low-cost stage.

Veterinary medical officers and animal health technicians throughout the country monitor U.S. livestock for disease problems. Their duties in each State include individual herd diagnostic evaluations, contacts with practitioners, plus interstate inspection activities in salebarns and slaughter plants—the latter in cooperation with the USDA Food Safety and Inspection Service.

Emergency Response

The APHIS emergency programs concept for animal and plant pests and diseases has proven to be an efficient way to develop and sustain a high state of disease control readiness. With the support of this Committee, we have continued our development and refinement of the emergency pest and disease reaction approach and the successful mobilizations of emergency teams of animal and plant health experts. This system has already been used as a model by a number of other countries.

We tested our reaction capability again last year. Most visible was the Medfly situation in California, which challenged the abilities and resources of both APHIS and the State. The susceptibility of California's agricultural system and the insect's multiple means of dispersal necessitated a massive effort. Using the Secretary's emergency authority, we provided personnel, technical assistance, and funding to supplement the efforts of the State. I am proud to say that we declared eradication in California on September 21, 1982. We are continuing surveillance in FY 1983 to eliminate any possibility that the Medfly has overwintered in or migrated from California.

In FY 1982, we continued to use the Secretary's emergency authority in Haiti, where we are participating in an ASF eradication program—the strongest measure we could take to prevent the disease from entering the United States. Program operations intensified during 1982; about half of the pigs in Haiti were depopulated. Eradication of ASF is on schedule for early 1984, with the double benefits of helping Haiti eliminate the disease and protecting American pork producers.

We also dealt with some less severe but still threatening disease and pest outbreaks. For example, we eliminated the khapra beetle at the two locations where it was discovered in 1982. We quickly eradicated several scattered exotic Newcastle disease outbreaks, once again preventing a widespread infection such as occurred in 1972 in California poultry flocks. Grasshopper infestation levels were lower last year than originally feared, but still required timely treatments conducted in conjunction with the States.

APHIS FY 1984 Budget

I would like to turn now to a discussion of the FY 1984 budget proposals. The APHIS budget for the upcoming fiscal year amounts to $228 million, of which $154 million is for animal disease and pest control and $74 million is for plant disease and pest control. This total is $43 million below the FY 1983 appropriation. APHIS is committed to the national effort to hold the line on Federal spending. We are equally committed to fulfilling our mission to protect American agriculture from losses due to pests and diseases and safeguarding export markets for U.S. products. To achieve both goals, we have attempted to identify the most appropriate Federal role in a national system of agriculture health protection.

Some pests and diseases are localized or affect a few clearly identifiable targets. In those cases, we believe that the beneficiaries of pest and disease control and eradication programs should bear a greater proportion of the costs. Accordingly, we have proposed reducing the APHIS share of costs in several programs. We believe that the States and individuals directly benefiting from those programs should take on more responsibility.

National leadership is the role most crucial for APHIS. In spite of reductions in a number of "discretionary" areas, we plan to maintain an APHIS presence in nearly all our programs. The nationwide network of animal and plant health specialists will remain intact. This will enable us to continue our leadership role in protecting American agriculture, maintain our most essential activities, and strengthen our ties with States and other cooperators.

APHIS must not only lead domestic activities but do the fundamental work required to prevent foreign pests and diseases from entering the United States. States, industry, and individuals should not be expected to perform this activity. We view the pest and disease prevention and detection functions as central to the APHIS leadership role and not a discretionary portion of our Agency's efforts.

With this basic resource allocation approach in mind, I would like to elaborate on some of the specific program funding changes in our request.

We are proposing to increase our investment in prevention and detection. I have spoken about the new international programs concept which will provide a further level of risk reduction by keeping pests and diseases from arriving at our ports-of-entry. However, the traditional first line of defense, the agricultural quarantine inspection program, must not lose ground. We are proposing an increase of $4.6 million for AQI. By instituting new techniques, such as the use of mechanical or chemical detectors, and augmenting staff at some ports-of-entry, we can continue past efforts to ensure adequate protection. At the same time, we can help in the effort to expedite passenger clearance at international airports.

In animal health protection, we plan to strengthen prevention and detection through modest increases in the import-export and interstate inspection programs. And, with success in sight, we are asking for an increase for the screwworm program to assure that the Mexican eradication timetable will be met and that the United States will remain screwworm-free.

We are proposing decreases in a number of programs, reflecting our continued emphasis on returning responsibilities for certain pest and disease control activities to the States and individuals. In some cases, such as the golden nematode, witchweed, pink bollworm, and boll weevil programs, we are reducing but not eliminating our involvement. We believe that the localized nature of these programs makes more State and individual participation reasonable and logical. The scabies and grasshopper programs are ones which we believe are better handled by the States and individuals because they have the ability and are the chief beneficiaries of the program.

We are proposing an FY 1984 funding level of $51 million for the brucellosis program. We continue to believe that Federal support for the brucellosis program can be reduced without hampering the program's effectiveness. During your consideration of the FY 1983 budget, to better assess the State and industry positions and to include them more fully in program planning, APHIS invited State and industry representatives to examine brucellosis policy and recommend strategies that could succeed with reduced Federal spending. The review team identified elements of the program, such as vaccination and certain types of indemnities, which could be handled by the States and industry. The State and industry group representatives supported the change to a flat-rate indemnity system which will save millions of dollars in Federal costs. We now propose to concentrate Federal program efforts on primary surveillance, testing, and epidemiology. We expect to solidify the progress made in this program with the momentum built up over the last few years. With increased efforts by the States and industry, we believe that we can prevent further spread of brucellosis.

By making reductions in these programs, we are able to maintain our basic lines of defense and a presence in many different activities while achieving significant budget savings. We will still be able to provide leadership, coordination, and technical assistance to the States and industry on a wide variety of animal health programs.

New Directions

Reduced funding does not prevent us from seeking new directions in agricultural protection. On the contrary, it compels us to find better, more economical methods of fulfilling the APHIS mission. I have mentioned the increased emphasis on an international presence, improvements in inspection techniques, and continued expansion of surveillance and detection systems. Personnel levels are stable. We have sought opportunities to consolidate offices or operations without hampering effectiveness.

During the last year, we have worked more closely than ever before with our State and industry cooperators. State agriculture agencies, producer associations, regional boards or groups, and scholars at agricultural universities all help to support APHIS programs, with responsibility and costs shared on a negotiated basis. As the need to reduce the level of Federal funding becomes more apparent, we have sought to shift some of the responsibilities and financial burden to the States. We have endeavored to involve our cooperators in a fuller discussion and understanding of what can be done within limited Federal resources, and how it should be done. We will continue to solidify these important relationships necessary for a successful cooperative system of agricultural protection.

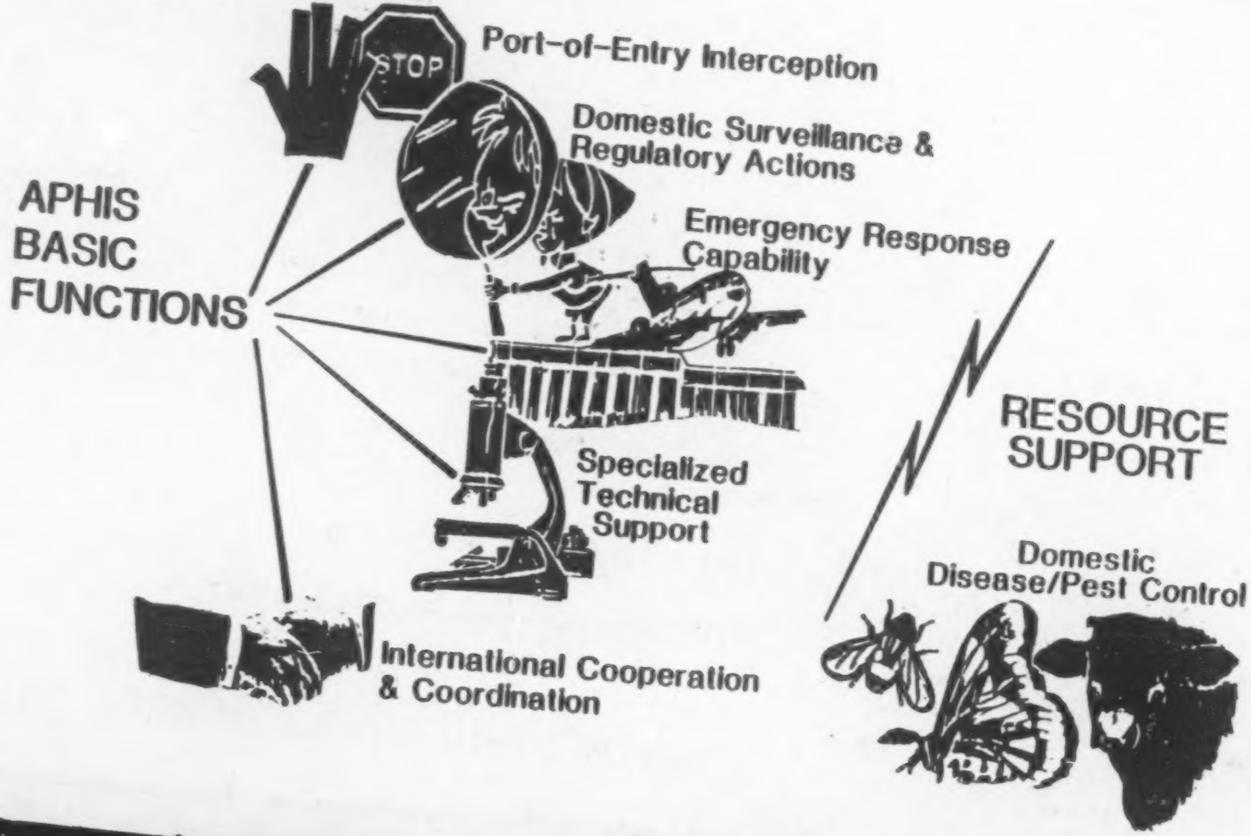
Mr. Chairman, we at APHIS have not lost sight of our mission—maintaining an adequate supply of wholesome foods at reasonable prices for the Nation's consumers and protecting the marketability of U.S. agricultural products in both domestic and foreign markets. We recognize that APHIS must provide national direction and technical assistance to make our system of agriculture health protection work. APHIS will periodically reassess its mix of programs to assure that we do provide that direction and assistance. Guidance on the proper APHIS role and resource needs from your Committee, our cooperators, and our employees provides a sound basis to judge the relative merits of competing program priorities. The challenge to achieve a high level of agriculture health protection in a manner which minimizes Federal spending is a challenge which we must meet together.

Mr. Chairman, members of the Committee, thank you for inviting me to speak with you today. I direct your attention to the following visuals which help illustrate various points in my statement. I am ready to answer any questions you may have about APHIS, my presentation, or our budget proposals.

APHIS 1982 ACCOMPLISHMENTS

- Effective emergency response
- Expanded international presence
- Stronger cooperative relationships with States and industry
- Greater awareness of mission, basic functions, and Federal role in national agriculture health protection

APHIS AGRICULTURE PROTECTION



APHIS
BASIC
FUNCTIONS

Port-of-Entry Interception

Domestic Surveillance &
Regulatory Actions

Emergency Response
Capability

Specialized
Technical
Support

International Cooperation
& Coordination

RESOURCE
SUPPORT

Domestic
Disease/Pest Control

INTERNATIONAL COOPERATION/COORDINATION

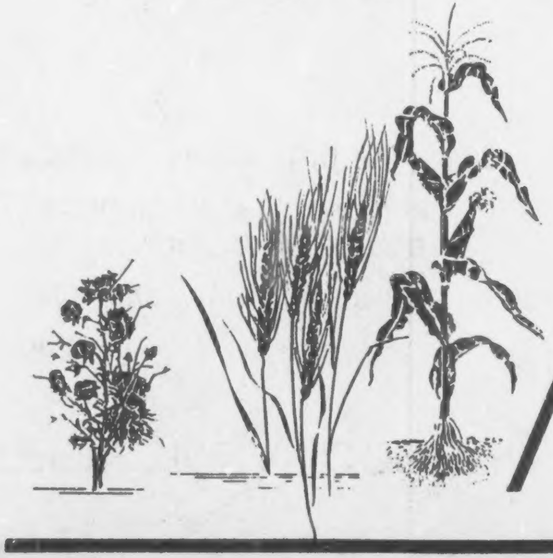
PLANT
- Improved information exchange
- Increased preclearance of agriculture commodities
- Medfly eradicated in Mexico

ANIMAL
- Screwworm to Central Mexico
- Assistance in Denmark FMD outbreak
- Continued progress in Colombia and Central America

DOMESTIC SURVEILLANCE AND DETECTION

PLANT

- Expanded National Pest Survey and Detection System



ANIMAL

- Interstate inspection
- Foreign animal disease diagnosis

EMERGENCY RESPONSE

PLANT
- Medfly eradicated in California
- Khapra beetle

ANIMAL
- African Swine Fever
- VVND
- Scrapie

APHIS FY 1984 BUDGET APPROACH

- Provide National leadership in agriculture health protection
- Strengthen highest priority functions of national system
- Increase State and producer participation in selected programs

APHIS FY 1984
PROGRAM INCREASES

- Strengthening the highest priority functions of national agriculture health protection
  - Agricultural quarantine inspection
  - Import – Export
  - International Programs
  - Screwworm
  - Interstate Inspection

NATIONAL AGRICULTURE HEALTH PROTECTION:

A Cooperative Effort

DISEASES AND PESTS

Senator COCHRAN. Thank you very much, Mr. Lee.

In reviewing the problems that we have and trying to respond to with research and programs designed to reduce the expense and challenges to health and safety that are caused by diseases and pests, it really exemplifies a problem we have in the Government today. We are trying to cut back and restrain the growth of Federal spending, yet these needs are still there. We are going to end up inevitably sustaining an expense of higher cost to the farmer because of the need to take certain measures to deal with diseases or pests. It is hard to balance those two competing interests sometimes, and I am not sure the best request does it like I would like to have it done.

PROPOSED BRUCELLOSIS REPROGRAMING

But I worry, for instance, about some of the reductions in programs where we have been making progress, such as brucellosis. A substantial reduction has been requested by the administration for the brucellosis program. We worry that this might be an indication of abandonment by the Government of any effort to eradicate brucellosis or even control it very effectively.

Recently, we received a letter from the Department—I don't have it here with me—suggesting that there was going to be some money diverted from the brucellosis program for some other programs. What was that all about, Bill?

Mr. MCMILLAN. It was sent by Deputy Secretary Lyng, Mr. Chairman. The letter was a request to reprogram approximately $13.8 million from brucellosis to cover the cost of financing the African swine fever eradication program in Haiti and to meet our obligations as a result of the Mediterranean fruit fly eradication program in California. Subsequently, we received concurrence from OMB for the transfer of Commodity Credit Corporation funds to cover those items. Therefore, the $13.8 million will remain in the brucellosis program.

Senator COCHRAN. I understand that now and remember it.

So you are going to go ahead and use those funds for the African swine fever program?

Mr. MCMILLAN. There will be Commodity Credit Corporation funds transferred to APHIS for African swine fever. We will not use brucellosis funds for ASF as we originally requested. With CCC funds, we can proceed and meet the 1984 target date of the African swine fever eradication program.

Senator COCHRAN. Have these funds been transferred from CCC to APHIS? Is that the way you did that?

Mr. MCMILLAN. Yes; that is correct.

Mr. LEE. As Mr. McMillan said, we have two separate emergency programs for which we will use CCC funds, Mr. Chairman—African swine fever and Mediterranean fruit fly eradication.

APHIS FISCAL YEAR 1984 PROGRAM REDUCTIONS

You began to talk about decreases, and for your benefit we do have a visual which illustrates the decreases in the proposed 1984 budget for APHIS.

[The information follows:]

APHIS FY 1984
PROGRAM REDUCTIONS

• Increasing State and industry participation in agriculture health protection

–Brucellosis
–Imported Fire Ant
–Gypsy Moth
–Witchweed
–Animal Welfare
–Medfly
–Grasshopper
–Pink Bollworm

–Noxious Weeds
Scabies
–Biocontrol
–Boll Weevil –High Plains
–Poultry Diseases
–Japanese Beetle
–Golden Nematode

Senator COCHRAN. OK, tell me what I am seeing there.

Mr. LEE. The visual indicates decreases proposed for each one of these APHIS programs for 1984.

Senator COCHRAN. Why are some of them one color and some another color?

Mr. LEE. The orange ones are animal health programs, and the green ones represent plant protection and quarantine programs.

Senator COCHRAN. What is the outlook for the brucellosis program? If we approve the amount of money that is being requested here, what goals do you see being realized with that kind of an investment during the next fiscal year?

Mr. LEE. Eradication continues to be the goal of the brucellosis program, going through various control steps leading to eradication. The basic premise underlying the 1984 brucellosis proposal is a much deeper involvement by States and industry in the program in order to be able to retain as much momentum toward eradication as possible.

Senator COCHRAN. The committee added to the brucellosis request last year, and it may be that that will occur again this year. I think it is important that we continue to work on the African swine fever problem, too. Is the money that is being allocated to the African swine fever program this year going to be sufficient to achieve eradication?

AFRICAN SWINE FEVER

Mr. Lee. Based on the best information we have at this time, Mr. Chairman, that money will permit us to achieve eradication of ASF in this fiscal year or early next.

Senator Cochran. Will that be a one-time appropriation or do you foresee that we will have to allocate resources to the African swine fever problem next year and the next?

Mr. Lee. The current transfer of CCC funds should be sufficient to complete the program. With eradication in Haiti, there is less risk that African swine fever will be reintroduced in the countries in the Caribbean Basin. It would push the nearest focus of infection much farther from our borders. The problem could always recur because of the virulence of that particular virus and the many pathways of entry.

Senator Cochran. Mr. Secretary?

Mr. McMillan. Might I expand just momentarily on that, Mr. Chairman.

The African swine fever eradication program in Haiti is a classic illustration of frontline defense, so to speak. With the Haitian refugee problem, the boat people coming into Florida, and so forth, the United States is exposed to the introduction of a very devastating disease. That is why it is important to nip the disease in the bud, as we are doing, on a one-time basis. We hope that in the future, quarantine programs will prevent its entry into other Latin American countries, and certainly, prevent its entry into the United States.

Senator Cochran. I think that is a point well taken. I hope you are successful in eradicating that disease, because we inevitably would have to spend lots and lots of money later on if we did have an outbreak here in the United States.

Mr. McMillan. That is correct.

MEDITERRANEAN FRUIT FLY

Senator Cochran. What about the Medfly? Is that pretty well over with? I know you have reprogramed $7.5 million; what is that going to be used for? I thought we killed them all.

Mr. Lee. We have, Mr. Chairman. We declared eradication of the Medfly in California last September. The $7.5 million from CCC is for two things. First, we will finish our payment to the State of California for our share of the costs incurred in the eradication program. Second, we plan to increase our surveillance activities within the United States to be certain that the pest did not overwinter undetected in California or elsewhere.

PROPOSED DEFERRAL

Senator Cochran. I notice that the administration has sent up a deferral request of $6.2 million. Are you familiar with that deferral request?

Mr. LEE. Yes, sir.

Senator COCHRAN. What is that for?

Mr. LEE. The deferral sets aside $6.2 million for potential emergency activities.

Senator COCHRAN. What was the $6.2 million appropriated for in the first place?

Mr. LEE. Brucellosis.

Senator COCHRAN. Is it the Department's position that the money cannot be effectively spent prior to the fourth quarter?

Mr. LEE. We have returned to a flat-rate indemnity in the brucellosis program rather than an indemnity based on individual animal values. The savings which occur can be used for emergency purposes, avoiding further depletion of CCC funds. If not needed for emergencies, the $6.2 million can still be used in the brucellosis program.

IMPORTED FIRE ANT

Senator COCHRAN. I notice that the request for funding of work in connection with the fire ant eradication program is drastically reduced by $5.2 million, leaving just a little over $1 million in that program. Why is that request so small when from what I hear the problem is getting worse, not better?

Mr. LEE. In the fire ant program, we are proposing to fund only methods development activities in 1984. We agree the imported fire ant itself continues to be a real problem in the South, Southeast, and South Central States. However, we are faced with a lack of effective tools for eradication, Mr. Chairman.

Senator COCHRAN. What is the status of our program? Is there litigation right now tying up the use of ferriamicide, which was authorized, or is that being used now?

USE OF FERRIAMICIDE NOT AUTHORIZED

Mr. LEE. No, sir, ferriamicide is not being used. The Mississippi Fire Ant Authority did request that EPA grant a section 18 exemption, which is an emergency exemption, for the use of ferriamicide. Mississippi and EPA were immediately taken to court by environmental groups.

Senator COCHRAN. EPA approved that request; didn't they?

Mr. LEE. No, sir.

Senator COCHRAN. They didn't?

Mr. LEE. No, they didn't. The Mississippi Fire Ant Authority decided to withdraw the request at that time. It is my understanding they have now requested another section 18 exemption for the use of ferriamicide, but EPA has not acted on the request.

Senator COCHRAN. Well, what is APHIS doing about it?

Mr. LEE. We rely on the Agricultural Research Service to screen chemicals and other methods that might be used to control and/or eradicate the imported fire ant. At this time we only have one pesticide, Amdro, available to us. I understand that another chemical, Prodrone, may also be available for widescale use soon.

Senator COCHRAN. Does it cost as much as Amdro? Amdro is about 9 or 10 times more expensive than ferriamicide. It makes it almost prohibitive for farmers or people who want to use it to apply it over a large area.

Mr. LEE. It is much more expensive than the chemicals we have used in the past, Mr. Chairman.

I should point out we do support the position of the Mississippi Fire Ant Authority in their efforts to have ferriamicide made available for fire ant use.

Senator COCHRAN. That is good to hear.

I have some other questions, and I think I will submit them in writing and ask you to respond for the record, if you will. Senator Kasten and Senator Chiles also asked me to submit some questions to you and the Secretary regarding the pseudorabies and brucellosis programs, and if you will respond to those, we would appreciate it very much.

Mr. LEE. Yes, sir. We would be glad to answer any questions you and other committee members may have.

Senator COCHRAN. Thank you very much.

Mr. LEE. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR COCHRAN

STATE/INDUSTRY COOPERATION

Question: You said in your statement that you "believe that the beneficiaries of pest and disease control and eradication programs should bear a greater portion of the costs." In view of the tight fiscal constraints of State budgets, what assurance do you have that these costs will be borne by the States and individuals?

Answer: We believe that the States, industry, and individuals recognize the significant benefits of pest and disease control and eradication programs, and that they will decide to assume program responsibilities where it is in their best interest to do so. Cotton growers in North Carolina and South Carolina recently voted to pay 70 percent of the costs of a boll weevil eradication program. Representatives from the States and industry have worked with us to define new roles for the non-Federal sector in the brucellosis program. These are positive steps in better defining the role and proper funding level for APHIS in the cooperative Federal-State-industry effort to protect American agriculture.

Question: What would happen if a problem arose and there were no funds at the local level? Would APHIS step in and offer assistance?

Answer: Whenever a pest or disease problem arises, we review the situation to determine if Federal involvement is necessary. If APHIS participation is required, we have several options available. These include our miscellaneous disease and pest programs line-items, the contingency fund, and redirection of other available funds. In the case of a serious problem which meets our emergency criteria, the Secretary has the authority to transfer funds to APHIS from other USDA appropriations.

Question: Has this type of situation occurred in the past couple of years? If it has, please provide details for the record.

Answer: This type of situation has occurred several times over the past few years. The most visible case was the Mediterranean fruit fly program in California. When it became clear that California lacked the resources to deal with the pest, APHIS contributed people and funds to a Federal-State eradication program.

Other less visible but still significant pest and disease situations occurred which received APHIS support. The incidence of scrapie has increased in recent years, causing more depopulation of infected animals and herds. We responded to several khapra beetle infestations in grain and spice warehouses. Additionally, we helped the States and other countries respond to such pests and diseases as citrus canker, oriental fruit fly, citrus blackfly, bluetongue, Newcastle disease, and equine piroplasmosis.

We consider the ability to respond to threatening plant and disease outbreaks to be a basic function of APHIS. We have structured our budget to maintain that ability.

Question: You stated that during last year you have worked more closely than ever before with State and industry cooperators. What has been their general response to the multitude of cuts proposed for FY 1984? Please be more specific for the record.

Answer: I expect States and industry to thoroughly examine our FY 1984 budget request, just as they did last year. The response to reductions for specific pest and disease control programs will likely vary from group to group. I should not speak on behalf of any individual State or industry group, since they will have the opportunity to make their views known to the committee. In general, though, I believe that our cooperators recognize the need to reduce Federal spending and to allocate limited Federal resources to the basic functions of national agriculture health protection.

Question: How much weight do you give to the input/opinions of these various groups or do you stand by your priorities or those of OMB and try to convince industry and States to go along with you?

Answer: We consider the various State and industry groups as partners in national agriculture health protection. We have regular contact with the cooperators in our programs. Last year, for example, APHIS invited State and industry representatives to examine brucellosis policy and recommend strategies that could succeed with reduced Federal spending. The State and industry groups share our commitment to protecting American agriculture from losses due to pests and diseases and safeguarding export markets for U.S. products. We are also committed to the national effort to hold the line on Federal spending. I believe this budget is a fair balance of these two goals.

PROPOSED LEGISLATION/USER FEES

Question: It is my understanding that you are proposing new legislation that will provide for full cost recovery fee bases for importing all species of animals into the U.S. What portion of these costs are now paid by importers?

Answer: Currently, importers pay for care, feed, and attendants while animals are quarantined in our facilities. The new legislation would allow us to recover costs associated with inspection and testing of animals by veterinary medical officers.

Question: Are the importers willing to pick up these additional costs?

Answer: Since the proposed increase in fees is small relative to the total cost of importing animals, we would expect the importers to consider the change as an acceptable increase in the cost of doing business. In the past, increases in fees due to increased operating cost have not affected use of the animal import centers. The importers will have the opportunity to comment on this new fee before implementation through the Administrative Procedures Act process. If aspects arise which we have not considered, we would reevaluate the situation.

Question: Has this legislation been introduced? If not, when will it be sent to the Congress?

Answer: The legislation was introduced last year but was not enacted. Similar legislation is being prepared for consideration by this Congress.

CONTINGENCY FUND

Question: How do you formulate your budget request for the contingency fund?

Answer: The $1,000,000 requested for the contingency fund is our best estimate of resources needed to deal with limited pest and disease outbreaks and to provide interim financing in cases of large-scale emergencies.

Question: Since you have expanded emergency borrowing authority (from CCC), why do you need a contingency fund?

Answer: The contingency fund enables us to respond immediately to pest or disease outbreaks. We use the fund when a limited pest or disease outbreak doesn't meet the criteria for invoking emergency authority and when regular program funds are not available to combat the outbreak. Also, in more severe outbreaks, the contingency fund provides interim financing until emergency funding can be secured. The most recent example of the latter usage was at the beginning of the Medfly emergency in California during FY 1981.

Question: What amount of the contingency fund was used in FY 1982? Have you used any portion of it in FY 1983?

Answer: The entire FY 1982 contingency fund of $986,000 was used for scrapie activities. The fund supported continuation of flock depopulation and indemnity payments throughout the year.

We have not used the contingency fund thus far during FY 1983. We expect to use the fund for additional scrapie indemnities and to cover the costs of eliminating recent khapra beetle infestations.

Question: Do you anticipate using any part of the $6.2 million FY 1983 brucellosis funds which you proposed to establish as a contingency reserve?

Answer: We expect to use the entire $6.2 million for brucellosis unless the need arises to use part or all of these funds for emergency activities.

AGRICULTURE QUARANTINE INSPECTION

Question: You have asked for an increase of $4.6 million for the Agricultural Quarantine Inspection program for a total program level of $50,744,000. What will this increase be used for -- staff, techniques?

Answer: We plan to use the proposed increased funding in several areas. First, $1.8 million is required to continue the issuance of phytosanitary certificates to exporters of plants and plant products from this country. Second, we will continue to develop and implement alternate screening methods for passengers, cargo, and mail, such as carbon dioxide gas detectors, X-ray systems, and detector dogs. This is an investment which will allow APHIS to maintain a continued high level of protection for our agriculture in the face of increasing international travel and trade.

Question: Please identify the specific pests and diseases about which you are so concerned that might be a threat at our ports-of-entry.

Answer: The objective of our port-of-entry interception effort is to bar all pests and diseases, both animal and plant, that do not currently exist in the United States, including those that have been eradicated from this country. These pests and diseases number literally in the thousands, although several are of prime concern. African swine fever, hog cholera, foot-and-mouth disease, and rinderpest are examples of virulent diseases which could devastate our livestock industry if they were to gain entry. On the plant side, the massive effort to eradicate the Mediterranean fruit fly from Florida and California is indicative of the concern we have for this pest. In addition, other fruit flies, citrus canker disease, Khapra beetle, and many exotic weeds, all economically significant are high on our priority list. During 1981, our plant protection and quarantine program made 26,731 interceptions of pests and pathogens originating in nearly every country of the world. The increasing frequency and volume of international travel and trade increases the likelihood that these pests and diseases will arrive at our borders.

SCREWWORM

Question: You indicated in your statement that much progress has been made in pushing the screwworm farther away from our border. Yet, you have asked for a significant increase--$3,510,000--for a total of $52,410,000 for FY 1984. Is this the last year Federal funds will be needed for this program?

Answer: Federal funds will be required in future years to participate with Mexico in the maintenance of a sterile fly barrier at the Isthmus of Tehuantepec. We expect to establish that barrier in 1985, following eradication of the screwworm fly north of the Isthmus. The costs of maintaining the barrier will be substantially less than current annual program costs.

Question: The work on this program is done in Mexico. Are the costs associated with the screwworm eradication program comparable to what they would be if the work were done in the United States?

Answer: The production of the sterile flies is the only part of the program that could be done in the United States. The cost would be substantially higher than in Mexico due to higher labor costs in the United States and the increased transportation costs to move the sterile flies from the United States to infested areas in Mexico. This cost would continually increase as the program moves south. Another and perhaps greater problem would be security: fertile flies escaping from a U.S. sterile fly production plant could reinfest the domestic livestock population. Finally, the increased stress on the fly from longer transport distances will make it less able to compete with native flies.

BRUCELLOSIS

Question: I am especially concerned about the reduction in the request for the brucellosis program, as I was about the reprogramming request the committee received. I hope it is now sufficiently clear at the Department that Congress is serious about the funding for this program. Is it fair to say that message has been received by the Department?

Answer: We plan to carry out the brucellosis program this year in line with the resources that have been appropriated and with the intent of Congress.

Question: Other than a general budget reduction rationale, what arguments do you offer in support of the reductions in this program?

Answer: Since 1960, the State-Federal Cooperative Brucellosis Eradication program has reduced the incidence of this disease from 1.2 percent to the current level of 0.41 percent, a 65 percent decrease. Annual economic losses resulting from brucellosis are now under $40 million, which is less than half of the total FY 1983 Federal program costs. At this point in the program, the States, industry, and individual producers can take a greater role in eliminating infection.

Last year, APHIS invited State and industry representatives to examine brucellosis policy and recommend strategies that could succeed with reduced Federal spending. The review team identified elements of the program, such as vaccination and certain types of indemnities, which could be handled by the States and industry. The State and industry group representatives supported the change to a flat-rate indemnity system which will save millions of dollars in Federal costs. Our FY 1984 budget proposal concentrates Federal resources on primary surveillance, testing, and epidemiology. With increased efforts by the States and industry, we believe that we can prevent further spread of brucellosis.

Question: Would you characterize for the subcommittee your own professional view toward the program and your efforts to direct its budget level during your tenure as Assistant Secretary? What prompts your views and efforts?

Answer: There has been a cooperative Federal-State brucellosis program for almost 50 years. There is not a true concensus throughout the cattle business that brucellosis is a major economic problem. Therefore, brucellosis is not going to be eradicated until the cattle industry itself assumes greater responsibility toward that end. Although the incidence of the disease has been lowered significantly, the program has been taking a larger share of the APHIS budget for animal health, with eradication projected for many years in the future. In my view, the general taxpayer has paid too much for indemnities and too much for services of veterinarians which could be paid by the benefiting individual, while there has been too little spent for basic research that might find a cheaper, more effective way to eradicate the disease. I also feel that the indemnity structure and Federal assumption of responsibility has gradually removed the incentive for some producers to conduct business in such a way that they scrupulously avoid the disease.

Having said these things, let me note that my views as to the correct course for the program are based on the following assumptions.

First, the budget for animal and poultry health needs to be restructured, as it does in other areas, while retaining or even improving our ability to prevent the entry into this country of exotic animal and poultry diseases from abroad.

Second, there has been sufficient progress in lowering the incidence of brucellosis that producer costs for combatting it, primarily through vaccination, can be considered a normal cost of their doing business. Producers must continue to fight the disease in order to keep the incidence low and protect their markets.

Third, to restore proper incentives in the program for wholehearted cooperation by interested parties, both States and industry should assume a greater share of the costs.

Fourth, research should be intensified.

Finally, while better tools are being sought, Federal efforts should be concentrated on lowering incidence in the high-incidence States and preventing further interstate spread.

Question: What type of support do you have for your proposals from producers and industry?

Answer: The beef cattle industry generally supports a reduced appropriation level while there are groups on both sides of this issue.

AFRICAN SWINE FEVER/MEDFLY

Question: Recently, you requested a reprogramming or redirection of funds from brucellosis to African Swine Fever ($6.3 million) and Medfly ($7.5 million). Congress did not approve your request. Were the additional funds needed for these two programs transferred from the CCC to APHIS?

Answer: Yes, the Secretary has authorized a transfer of funds from CCC to APHIS for the African swine fever and Mediterranean fruit fly emergency programs.

Question: Are any further funds owed to California for the Medfly program?

Answer: Yes, we still owe California for a portion of the costs the State incurred in the cooperative eradiction program. Because California operates on a cash accounting basis, up to $5.9 million of costs for activities conducted in FY 1982 will be paid in 1983. We will make payment for these costs after we receive and analyze all supporting data from the State.

Question: Do you anticipate further outbreaks or reinfestation of Medfly this year?

Answer: We do not anticipate any further outbreaks of the Medfly. However, we will conduct increased surveillance activities in California and other high-risk areas to assure that the Medfly has not overwintered undetected.

Question: Will your FY 1984 request of $6 million be sufficient to maintain surveillance, etc.?

Answer: The FY 1984 request for the Medfly program is based on our plan to reduce activities in Mexico and Guatemala. Mexico declared the Medfly eradicated in 1982. We will continue our surveillance and detection activities in both Mexico and the United States. Should additional action become necessary, we will work with Mexico to determine the proper course to follow.

Question: Will African Swine Fever be eradicated in Haiti this year?

Answer: We do expect African swine fever to be eradicated in Haiti this year. To achieve eradication, all swine must be depopulated and subsequent tests run to ensure disease elimination. The depopulation phase of the program should be completed by June 30, 1983. Clean-up activities and the placement of sentinel pigs should be completed by September 30, 1983. We expect eradication to be verified soon afterward.

Question: What is the total cost of this program? How much has the U.S. contributed? How much has Mexico contributed?

Answer: Our estimate of the total cost to complete this program as planned in 1980 is $18.5 million. APHIS has spent almost $12 million so far and plans to spend an additional $6 million in FY 1983. To date, Mexico has contributed slightly less than $500,000. In addition, both Mexico and Canada have provided staff support for the program.

PSEUDORABIES

Question: It has been reported to me that APHIS has agreed to provide $400,000 to begin pseudorabies pilot projects this year. Is this true and where is this money coming from?

Answer: Yes, we plan to cooperate in pilot projects with Illinois and Iowa in FY 1983. As you know, specific funding for these projects was not provided in our FY 1983 appropriations. We have not yet decided where the funds for USDA support of these cooperative programs will come from. The most likely source would be a redirection from other programs where funds may be available.

Question: What funds will be needed to continue the programs in FY 1984? Have you made a request for these funds in your 1984 budget?

Answer: The total estimated FY 1984 cost for the Iowa and Illinois projects is $1,184,000. We did not request funds in our budget for these projects.

GYPSY MOTH

Question: Despite years and millions of Federal dollars, the gypsy moth is more of a problem than ever. The level of gypsy moth defoliation has increased dramatically in the last three years. Prior to 1980, the amount of defoliation never exceeded 2 million acres. But in 1980, defoliation shot up to 5 million acres and in 1981 it reached to 13 million acres. The economic damage of the 1981 defoliation was estimated to be about $760 million. Likewise, the number of isolated infestations outside the already infested area has dramatically increased from 6 in 1979 to 37 in 1982. Four agencies within USDA (APHIS, Forest Service, ARS, and CSRS) are dealing with various aspects of the gypsy moth problem. How are these efforts coordinated? Does USDA have a coordinated plan to address the gypsy moth problem?

Answer: Since 1979, the four agencies have coordinated their efforts through the Gypsy Moth Steering Committee. The committee has facilitated the exchange of information on the agencies' needs and activities, but has lacked the policy-making authority to develop a coordinated gypsy moth program plan.

Question: Does USDA have a specific policy or position on the gypsy moth problem?

Answer: There is no specific USDA-wide policy on the gypsy moth problem. The four agencies involved have discussed developing a gypsy moth policy statement. However, each agency has its own mission and lines of authority within the Department. To help overcome this, APHIS and the other agencies are considering creating a new USDA Gypsy Moth Working Group under the Natural Resources and Environment Committee of the Secretary's Policy and Coordination Council. This group could coordinate the activities of the four agencies and would be in a position to develop a USDA-wide policy.

Question: Have any cost/benefit studies been done on past control or suppression efforts? (For example, how much was saved (a) by APHIS spending $1 million in 1981 to eradicate isolated infestations? and (b) by USFS spending $2 million to suppress gypsy moth populations in areas already infested?)

Answer: A lack of reliable data on the economic impact of the gypsy moth has prevented APHIS from completing any cost/benefit studies. The available data on costs and losses associated with gypsy moth infestations is too limited in scope and too outdated to be applied to the current situation. Thus, it is difficult to estimate the savings that occur from suppression and eradication. The area of an isolated infestation incurs little damage initially. If the pest is not eradicated, population levels increase and residential, recreational, and timber losses occur. The newly infested area then serves as a source of future spread.

Question: USDA's FY 1984 budget submission indicates that the gypsy moth quarantine will be eliminated. How effective has the quarantine been? Outdoor household articles have been identified as the major cause of isolated infestations. What has been done to solve this isolated infestation problem?

Answer: The existing gypsy moth quarantine has not effectively prevented the pest from spreading. A primary reason is the movement of unregulated outdoor household articles from the generally infested area. We are now looking at this problem to determine whether there is an effective way to solve it without creating an excessive regulatory burden. Additionally, we have assisted the States in eradicating isolated infestations. Although eradication is not possible with presently available tools in the generally infested area, we can successfully treat isolated infestations if they are caught at an early stage.

ANIMAL WELFARE

Question: Again this year, you have proposed a budget reduction of $3.3 million in the Animal Welfare program. What do you predict will be the impact of your proposal? particularly the impact on the research community?

Answer: The program proposed for FY 1984 will shift emphasis from conducting routine inspections of laboratories, dealers, and handlers to investigating complaints and pursuing prosecution efforts. We will look to humane groups and individuals to report violations of the Animal Welfare Act for investigation by APHIS personnel. Also, we plan to establish memorandums of understanding with the Food and Drug Administration, the National Institutes of Health, and various agencies of the Department of Agriculture to share information of mutual concern regarding animal care. These agreements will avoid duplication of coverage between the agencies and aid us in our prosecution efforts.

Even though routine unannounced inspections of research facilities will be reduced, we do not expect a significant impact on the development of human drugs and biomedical research.

FY 1984 BUDGET REQUEST

Question: For the record, please provide a table showing agency request, departmental allowance and OMB allowance for each program account.

Answer: We will provide this information.
[The information follows:]

History of FY 1984 Budget Request
(dollars in thousands)

	Agency Request	Department Allowance	OMB Allowance
Plant Disease & Pest Control:			
Plant protection:			
Biocontrol.........	$ 3,592	$ 3,770	$ 3,250
Boll weevil........	993	1,040	786
Golden nematode....	--	--	900
Grasshopper........	--	--	--
Gypsy moth.........	686	710	1,500
Imported fire ant..	--	--	600
International programs.........	1,672	1,728	1,672
Japanese beetle....	104	108	--
Mediterranean fruit fly.............	8,275	8,684	6,000
Mexican fruit fly..	1,496	1,551	1,496
Miscellaneous plant diseases and pests...........	--	--	483
Noxious weeds......	--	--	100

Pest detection.....	4,185	4,347	3,919
Pink bollworm......	604	627	1,500
Range caterpillar..	--	--	--
Witchweed..........	--	--	1,100
Total, Plant protection.........	21,607	22,565	23,306
Agricultural quarantine inspection.........	50,740	51,696	50,744
Total, Plant Disease and Pest Control...	72,347	74,261	74,050
Animal Disease & Pest Control: Animal health:			
Animal welfare.....	1,568	1,601	1,568
Brucellosis........	61,235	62,439	50,555
Cattle ticks.......	3,887	3,983	6,040
Emergency programs.	3,476	3,646	3,476
Foot-and-mouth disease..........	2,218	2,388	2,218
Horse protection...	153	157	153
Import-export......	7,211	7,412	7,211
Interstate inspection.......	5,440	5,555	5,440
Miscellaneous animal diseases..	990	1,039	981
National poultry improvement plan.	210	218	210
Poultry diseases...	620	637	620
Pseudorabies.......	276	285	276
Scabies............	--	--	--
Screwworm..........	52,410	55,265	52,410
Swine health.......	3,179	3,247	3,179
Tuberculosis.......	4,059	4,282	4,059
Veterinary diagnostics......	6,496	6,832	6,496
Total, Animal health.	153,428	158,986	144,892
Veterinary biologics........	8,398	8,698	8,398
Total, Animal Disease and Pest Control...	161,826	167,684	153,290
Contingency fund.....	2,500	2,500	1,000
Total, Salaries and Expenses...........	236,673	244,445	228,340
Buildings and Facilities.........	2,386	2,614	2,386
Total, Appropriated Funds..............	239,059	247,059	230,726

Question: For each program you are proposing to eliminate or cut, please provide a status report. Also, indicate why no funds or less funds were requested.

Answer:

BRUCELLOSIS ERADICATION

The Cooperative State-Federal Brucellosis Eradication Program instituted new program procedures in FY 1982 to improve the disclosure and elimination of the disease in infected herds. The Market Cattle Identification - MCI - reactor rate fell from 0.42 percent in 1981 to 0.41 percent in 1982. The number of infected herds decreased from 13,287 to 11,751. The number of infected dairy herds found as a result of milk ring tests declined from 355 in 1981 to 259 in 1982. In addition, the number of calves vaccinated increased from 6.9 million in FY 1981 to a record 7.6 million in FY 1982.

A new State classification system became effective on May 1, 1982. Eleven States plus the U.S. Virgin Islands were able to qualify for Class Free by the end of FY 1982. To qualify, no field strain brucellosis can be found in a State for at least 12 months.

Additional progress was made in lowering the incidence of cattle brucellosis in the high incidence States during 1982. In the five States that fully accelerated their programs since 1977, four States--Tennessee, Alabama, Kentucky, and Arkansas--continue to demonstrate decreases in the number of infected herds. The fifth State, Georgia, had an increase in the number of infected herds. Added emphasis was placed on disclosing infected herds in Georgia through the use of epidemiological tracing and the testing of adjacent herds.

In FY 1982 APHIS conducted modified accelerated programs in Florida, Louisiana, Mississippi, Oklahoma, and Texas. Of these five States, only Florida demonstrated an increase in the MCI rate, although the number of infected herds in Louisiana increased as a result of intensive area testing in high incidence parishes. Decreases were noted in the other four States.

Our budget proposes a reduction in funding because at the current disease incidence of 0.41 percent, down from 1.2 percent in 1960, producers and industry can take a greater role in preventing brucellosis infection in their herds.

POULTRY DISEASES

No cases of velogenic viscerotropic Newcastle disease - VVND - were reported in chickens or turkeys in the United States during FY 1982. However, VVND was diagnosed in cage birds at 13 locations. Four of these infections were of major concern and required investigations, depopulations, and cleaning and disinfecting. The total cost of these outbreaks in FY 1982 totaled $196,151.

Our budget proposes a reduction in funding because the States and industry have the capability of conducting swab testing and other investigational activities for early detection of VVND.

Federal VVND surveillance will be reduced and States and the industry will be encouraged to expand poultry disease surveillance activities.

ANIMAL WELFARE

Despite a reduction in the number of alleged violations of animal welfare standards received, from 283 cases in FY 1981 to 218 in FY 1982, prosecutions increased. A total of 29 prosecutions resulted in 23 cease and desist orders, 4 license suspensions, and 2 dismissals in FY 1982. This compares to 20 prosecutions resulting in 13 cease and desist orders and 7 suspensions in FY 1981.

We believe that in an effective program, the primary responsibility for enforcement of humane animal treatment resides with the States, industry, humane groups, and individuals. Therefore, we are planning to shift the emphasis of Federal involvement from routine inspections to complaint investigation.

SCABIES

In FY 1982, detection, reporting, and treatment activities decreased markedly from FY 1981 levels. In FY 1982, reported outbreaks of cattle scabies decreased from 146 to 115.

Ivermectin®, an injectable product which can be used against internal and external parasites, was used in the field in Canada against sarcoptic cattle scabies and proved to be successful. The application for registration of Ivermectin®, submitted by Merck, Sharp, and Dohme Company to the Food and Drug Administration in May 1981, is still pending. Toxaphene is still the most effective product for dipping procedures.

The FY 1984 budget request proposes elimination of direct Federal involvement in the scabies program. States and industry possess the technology to conduct their own detection activities, and treatment products including the chemicals Prolate and coumaphos and the pesticide toxaphene, are available to achieve eradication.

BIOLOGICAL CONTROL

In FY 1982, the Department expanded its alfalfa weevil project to a total of 38 States. Approximately 7.5 million parasites were reared or collected for redistribution to 19 States. In the Mexican bean beetle demonstration in Maryland, Virginia, Delaware, and New Jersey, approximately 2.9 million parasites were released with good results. An additional 4.7 million parasites were released outside project areas. The Department also initiated new projects against the citrus whitefly and silverleaf nightshade.

In FY 1984, APHIS will not develop and field test any new biological control agents. Because Mexican bean beetle operations will be scaled down, we are proposing a slight decrease of less than 7 percent of total program funding.

BOLL WEEVIL

The boll weevil diapause control program continues to prevent the spread of this pest onto the High Plains of Texas. The relatively low populations experienced from 1979-1981 increased in FY 1982, requiring treatment of 357,722 acres compared with 80,000 acres in FY 1981.

The proposed reduction is based on low weevil populations in recent years. We believe that growers should assume any increased costs associated with higher weevil populations, should they occur.

GOLDEN NEMATODE

The golden nematode currently infests five counties in New York--two on Long Island and three in upstate New York. APHIS works with New York State to contain the pest within presently infested locations and reduce remaining populations. In FY 1982, USDA also participated in a cooperative effort with the State to accelerate the development of new resistant potato varieties.

The proposed reduction will eliminate only the methods development aspect of the program. We believe that we have the tools to move toward our goal of planting all acreage with resistant varieties by 1988.

GRASSHOPPER

Grasshopper infestations reached high levels in only a few areas in FY 1982. APHIS, in cooperation with participating States and ranchers, treated a total of 579,992 acres of rangeland, compared to a record 7.2 million acres treated in FY 1979, 5.2 million acres during FY 1980, and 1.3 million acres in FY 1981. APHIS also continued cooperating with the Agricultural Research Service in evaluating new grasshopper control techniques.

We propose that the States and ranchers assume complete responsibility for the grasshopper program. We believe they are the primary beneficiaries and that they have gained sufficient experience to successfully conduct the program.

GYPSY MOTH

In FY 1982, APHIS carried out regulatory activities to prevent the artificial long-distance spread of the gypsy moth; and survey and treatment programs to detect and eradicate isolated infestations. Based on survey results from FY 1981, eradication treatments were applied to a total of approximately 25,000 acres during FY 1982. In the generally infested area, 8,171,191 acres were defoliated, compared to 12,872,725 in FY 1981, and 5,105,389 in FY 1980.

Given the current technological and regulatory limitations, continuation of the current Federal effort can only minimally retard pest spread. Consequently, we propose to concentrate on assisting the States in detecting and eradicating isolated infestations. Should the Department be successful in implementing regulations on outdoor household articles, the Federal quarantine would be continued but the States would be expected to enforce most aspects of the regulations.

IMPORTED FIRE ANT

During FY 1982, APHIS conducted 7,768 regulatory inspections and

957 commodity treatments; purchased 651,960 pounds of Amdro bait for use in the cooperative Federal-State control effort in ten States; conducted surveys to support the regulatory program and provide a basis for application of insecticides; monitored application sites to determine the effects of residue on the environment; and continued work on improved or alternate control tools. The States also provided funds for survey and regulatory activities.

We believe that survey, control, and regulatory activities can be conducted by States, localities, and individuals. The tools are available to perform these activities. APHIS involvement would be confined to the development of improved control and regulatory techniques.

JAPANESE BEETLE

The Japanese beetle program continued to retard artificial pest movement through control and exclusion methods at airports with high beetle populations. During FY 1982, seven airports were regulated.

We propose to eliminate Federal involvement in the Japanese beetle program. The responsibility for meeting State quarantine provisions can be borne by the military, airport authorities, and air carriers. A registered pesticide is available for this work, and airport personnel are experienced at applying treatments.

MEDITERRANEAN FRUIT FLY

APHIS conducted a trapping program in high-hazard areas of Arizona, California, Florida, Louisiana, and Texas for early detection of Medfly infestations. In addition, the Agency continued to cooperate with Mexico and Guatemala in a Medfly control effort. During FY 1982, we released over 16.6 billion sterile flies in southern Mexico and Guatemala. The Medfly regulatory program consisted of inspections and the treatment of over 25 million kilograms of host commodities. A major milestone in this cooperative effort was attained in late FY 1982 with successful eradication of the Medfly in Mexico.

The proposed reduced level of funding in FY 1984 is based on our plan to reduce work in Guatemala and concentrate on maintaining the present barrier.

NOXIOUS WEEDS

In FY 1982, the hydrilla control program in the Imperial Irrigation District in California tested the hybrid grass carp and surgically sterilized white amur, a weed-eating fish. The white amur continued to be effective in controlling hydrilla in main irrigation laterals in Florida. Eradication feasibility studies continued on goatsrue in in Utah and crupina in Idaho with encouraging results.

The noxious weed program has resulted in the successful demonstration of weed control techniques. State, local, and private control programs should be able to adequately deal with existing weed problems. We will discontinue our role in survey and demonstration projects and continue to support plant and seed identification at ports-of-entry.

PINK BOLLWORM

During FY 1982, program efforts prevented the spread of the pink bollworm to noninfested areas. Under a Federal-State cooperative agreement, approximately 800 million sterile pink bollworm moths were released in the San Joaquin Valley. APHIS also proceeded with the third year of the 3-year Baja California trials.

The States and industry now possess the capability to carry out most program activities. APHIS will discontinue its regulatory efforts, but will continue to participate in the cost-sharing program in the San Joaquin Valley while growers institute recently developed pest management practices. We will continue to operate the Phoenix, Arizona, sterile moth rearing facility.

RANGE CATERPILLAR

During FY 1983, funds were provided for the development of a pest management strategy for New Mexico and surrounding States. The States should be able to assume all program activities in FY 1984.

TRIFLY ENVIRONMENTAL IMPACT STATEMENT

The FY 1983 appropriation provided funding for preparation of an envrionmental impact statement as a preliminary step to developing a trifly eradication program in Hawaii. The completed impact statement is required prior to the start of additional work. The nonrecurring funds are not required in FY 1984.

WITCHWEED

Witchweed is found in 24 counties in North Carolina and 6 counties in South Carolina, affecting more than 247,600 acres. Since the beginning of the witchweed program, more than 416,500 acres have been identified as infested, and nearly 170,000 acres--over 40 percent--have been released from quarantine. During FY 1982, Chesterfield County, South Carolina, became the eighth county released from quarantine since the program began. About 13,500 acres were treated, a substantial decrease from FY 1981.

The technology for witchweed control is available to affected States and individual farmers, and they should assume survey and treatment costs. APHIS involvement would be in the regulatory area only, aimed at preventing witchweed spread to major corn and other host crop-producing areas.

BOLL WEEVIL PROGRAM

Question: One of the cooperative programs APHIS has been involved in has been the trial boll weevil eradication program in northeastern North Carolina. How successful has the program been?

Answer: I believe that the North Carolina trial was extremely successful. The main objective of the trial was to determine whether the eradication of an established population of boll weevils from a specific geographic area is technically and biologically feasible. As an example of the program's success, less than one weevil per 1,000 traps was detected by the end of the trial compared with nearly 320,000 weevils per 1,000 traps found within a

100 mile radius just outside the trial area. Insect control costs dropped from an average of $75 to $100 per acre to $15 to $20 per acre in the eradication zone. Pesticide applications dropped from 11 or 12 applications per acre to 1 or 2 per acre.

After completion of the cooperative trial in 1980, the State of North Carolina and cotton producers have successfully maintained the trial area weevil-free. APHIS provided a small amount of funding for this containment program through FY 1982.

Question: In late January, 1983, cotton producers in North and South Carolina by margins of 79 and 72%, respectively, voted to assess themselves more than $75 per acre over the next 3 years (which represents 70% of the program's estimated total cost) to expand the trial program from northeastern North Carolina down through South Carolina. This, perhaps, is the best evaluation of the program's success. At a time of low commodity prices and rising production costs, it represents a tremendous endorsement of the eradication program. Now, if the program is to go forward in 1983 as planned, we will have to provide additional funding for APHIS' share of the program's cost (30%). I assume with cotton producers paying 70% of the program's cost, that APHIS' share would be 30%. Further, it's my understanding that this would amount to approximately $2.5 million. If we add this to APHIS' FY 1983 budget, would APHIS be in a position to move forward so that expansion of the trial program from northeastern North Carolina down through South Carolina could begin this crop year?

Answer: The technology does exist to successfully conduct an eradication program. We are now reviewing the program proposal to determine if APHIS should become involved and, if so, the level of that involvement.

QUESTIONS SUBMITTED BY SENATOR KASTEN

PSEUDORABIES

Question: A Pilot Project has been proposed for the eradication of pseudorabies, a herpesvirus swine disease, in five states: Iowa, Illinois, Wisconsin, North Carolina and Pennsylvania.

This project was recommended for funding by the House during conference markup last fall for FY 1983 appropriations but failed to be included in overall funding. However, I was notified last month that USDA will make available $400,000 for initiation of this program in 1983.

Funding needed for continuation of this project is earmarked at $1.5 million for 1984. Pork producers and Agriculture Departments of the states involved will also contribute to this project. Will funding be made available through APHIS in FY 1984 for continuance of the pseudorabies pilot project? If so, at what level?

Answer:, We did not request funds in our FY 1984 budget to cover pseudorabies pilot projects. Any funds that we might contribute in FY 1984 will have to come from within the pseudorabies line item or through a redirection from other programs where funds may be available. Specific amounts will not be known until we have had a chance to evaluate our FY 1984 funding situation.

Question: If funding is not made available, will the Appropriations Committee have to specify a line item in the APHIS budget to ensure monies for this project?

Answer: No, pseudorabies already appears as a separate budget line item in APHIS.

QUESTIONS SUBMITTED BY SENATOR CHILES

Question: As you know, in 1980 the State of Florida embarked on a five year accelerated brucellosis eradication program. Since then significant progress has been made against this disease in Florida and other high incidence states. Given the huge proposed FY '84 cuts in the brucellosis program, will it be possible to continue the accelerated program in Florida?

How will other states with a high incidence of this disease and accelerated programs be affected by these cuts?

Answer: We will be able to continue the accelerated program in Florida if the State, industry, and individual producers increase their financial participation in the program.

The impact of the proposed cuts on other high-incidence States will also depend upon the level of State and industry participation in the program. With increased support from program cooperators we can continue to control brucellosis and eventually eradicate the disease.

Question: Are you concerned that the size of these cuts could compromise much of the progress made against the disease?

Answer: Without increased support from our cooperators in the brucellosis program, we could lose some of the progress we have made to date in eliminating the disease. However, since it will be in the interests of States, industry, and producers to maintain this progress, I believe they will increase their participation in the program to achieve eradication of brucellosis.

Question: Since such large cuts are being recommended in the eradication and control program, is a concomitant increase in brucellosis research being recommended?

Answer: No, the USDA Agricultural Research Service budget includes the same level of brucellosis research in both FY 1983 and FY 1984--$2.4 million.

Question: What is APHIS doing to direct as much of the program funding to field use as possible?

Has there been any success in reducing administrative overhead associated with the program?

Answer: In order to direct as much of the program funding to field use as possible, we have reduced our costs for administrative and operational support, program direction, and program planning by $1.4 million from FY 1982 to FY 1983. Of this amount, administrative overhead associated with the program has been reduced by $600 thousand. These reductions are proportional to the total funding change in the brucellosis program between FY 1983 and FY 1984.

FEDERAL GRAIN INSPECTION SERVICE

Senator COCHRAN. Dr. Gilles, I mispronounced your name earlier, and I apologize for that. You were good enough to come down to Mississippi for some hearings we had sometime ago and to talk about Federal Grain Inspection Service procedures and the impact of Government regulations on costs to shippers and to the States. We appreciated that very much.

The Federal Grain Inspection Service conducts grain inspection, weighing, and a number of other programs under the authority of the U.S. Grain Standards and Agricultural Marketing Acts. Through these programs, the Service helps foster the orderly, efficient, and effective marketing and distribution of U.S. grain and other commodities from the Nation's farms to buyers here and abroad. The services provided by this agency are financed almost entirely by a user-fee supported revolving fund. The committee recommends an annual appropriation level, basically for salaries and expenses, and also recommends a limitation on administrative expenses from the user-fee revolving fund. The budget request for fiscal year 1984 is $6.9 million, an increase of about $1.3 million from last year's level. The limitation request remains the same at $44.3 million.

We appreciate your being here, Dr. Gilles, and you may proceed.

PREPARED STATEMENT

Dr. GILLES. Thank you very much, Mr. Chairman. I appreciate the opportunity to appear before your committee. In reference to your suggestion, we would like to submit the statement for the record and to paraphrase it for an opening statement.

[The statement follows:]

STATEMENT OF KENNETH A. GILLES

I appreciate this opportunity to appear before the Committee today. Recent changes in the Federal Grain Inspection Service--FGIS--and our Fiscal Year 1984 budget request are topics for this presentation. Since my appointment as FGIS Administrator in 1981, I have emphasized improved management and service. It has been the goal of this Agency during my tenure to offer marketing services for inspection, weighing and standardization of grain and grain related products in a cost efficient manner.

The Federal Grain Inspection Service provides for the establishment of official U.S. standards for grain, weighing, and inspection services under the authority of the U.S. Grain Standards Act --USGSA-- and the Agricultural Marketing Act --AMA-- of 1946. Inspection and weighing services are provided on a cost recovery, fee basis. These services are mandatory at export ports and permissive at domestic locations. Eight states have been delegated authority to provide mandatory export services. Eighty-two states and private agencies have been designated to provide official services at domestic locations. We refer to this as the National "Official" Inspection System. The objective being 1) that grain may be marketed in an orderly and timely manner, and 2) that trading in grain may be facilitated.

In this "system" approximately 4000 people are employed. Seventy-five percent are non-Federal, state and private sector employees, and 25 percent are Federal, employed by FGIS. FGIS is the "caretaker" of this "system" and has an oversight-supervision responsibility to promote the uniform application of standards under the above mentioned Acts.

During the past fiscal year, FGIS has undergone significant changes in operating procedures and funding for the supervision of official agency activities. Cost reduction efforts emphasized attempts to accomodate fluctuating demands for inspection and weighing services. These demands varied with the volume of grain exports as well as the domestic movement of grain. FGIS is striving to attain self sufficiency in our fee supported inspection and weighing programs. Moreover, retention of a highly trained, technical cadre of personnel is essential to the success of a national, uniform official inspection and weighing system.

CHANGE IN SUPERVISION

The Omnibus Budget Reconciliation Act of 1981, required FGIS, as of October 1, 1981, to recover the cost of administrative and supervisory activities through user fee assessments. Prior to Fiscal Year 1982 these functions were supported by appropriations. The financing structure of the Agency has changed dramatically as a result of this funding change. For example, during Fiscal Year 1981 fees provided 58 percent of our total operating budget; in Fiscal Year 1982 this amount increased to 89 percent. For Fiscal Years 1983 and 1984, fees are projected to fund 83 percent and 84 percent of our budgets, respectively.

During the past year we examined our adminstrative and supervisory activities to determine precisely which FGIS functions actually were "supervision" as defined by the U.S. Grain Standards Act. To become more cost efficient, we investigated methods to minimize the fees charged for supervision of delegated States and private agencies. We plan to assign initial supervision and training of licensed inspectors to State and private inspection agencies and transfer scale testing and certification to qualified delegated State inspection agencies.

An extensive analysis of the Federal oversight of official agencies was conducted. Several "supervision activities" were determined to be oversight-compliance activities and thus should more appropriately be financed through appropriations since these activities assure uniform application of inspection procedures and benefit the public as a whole. Consequently, our Fiscal Year 1984 budget request proposes to transfer the funding of oversight activity for compliance and monitoring from the revolving fund to the appropriated fund account.

REDUCTION IN OPERATING RESERVE

Since we rely primarily on user fees, our financial situation is dependent upon market factors such as the volume of grain exported and the number of interior market inspection certificates issued. During Fiscal Year 1982 operating costs exceeded revenues. A corresponding decrease in the operating reserve also occurred. The quantity of grain officially inspected dropped from 306.2 million metric tons in Fiscal Year 1981 to 286.6 million metric tons in Fiscal Year 1982; a six percent decline. In addition, during Fiscal Year 1982 official inspection agencies performed 800,000 fewer official inspections in the interior than in Fiscal Year 1981. User fees increased significantly in Fiscal Year 1982 and as a result, industry employed unofficial services or chose to forego inspection.

Reduced inspections and supervision revenues contributed to an FGIS operating loss of approximately $5 million during Fiscal Year 1982. Consequently our operating reserve has dwindled to approximately

$3 million. Beyond the financial ramifications, we have a concern that in the long run, shifts to unofficial services will result in a lack of uniformity in inspection nationwide.

We have taken a number of steps this past year to cope with reduced revenues and to reverse the decrease in our operating reserve. In addition to the changes in our supervision program, we closed five field offices, one sub office and five field offices were converted to sub office status. In September 1982, our permanent full time staff in the the field was reduced from 957 to 835 or by 122 positions. In areas where the workload had diminished due to decreased volumes, furloughs were initiated. For seasonal work, an adequately trained corps of full time professionals is supplemented by part time employees.

We have reorganized our headquarters functions to perform more of our own financial and administrative support work and to more effectively employ the National Finance Center. A savings approximating a half million dollars during Fiscal Year 1983 is estimated by these changes.

Finally, fee increases ranging from six to 28 percent became effective January 1, 1983. These increases, the first comprehensive adjustment since 1979, primarily affect the original inspection and weighing programs and are accompanied by a reduction in our supervision program fees. We are optimistic that cost reduction measures and fee adjustments will reverse operating deficits. Let there be no doubt, however, that the financial health of this Agency depends upon astute management as well as a high level of grain movement in the export and domestic grain markets.

SAFETY

During 1982 there were 11 grain elevator explosions and fires compared with 21 in 1981. To date in Fiscal Year 1983 there have been three explosions. No Federal employees were injured. Although the Occupational Safety and Health Administration has primary responsibility for ensuring the safety of workers in grain handling facilities, FGIS has responsibility for our Agency employees and continues to be concerned with their safety in the workplace. During Fiscal Year 1982, the Secretary of Agriculture formed the Grain Safety Coordination Committee and a full time safety position at the Department level. The Committee, which I chair, is responsible for coordinating safety activities in the storing, handling and processing of grain. Within the Committee, FGIS will be responsible for the centralized reporting, tracking, and monitoring of explosion incidents and data.

Also, FGIS committed $108 thousand towards a two year study at Purdue University on methods for handling grain dust, a primary cause of elevator explosion and fires. Last July we participated in hearings before the House Agricultural Subcommittee on Wheat, Soybeans and Feed Grain to discuss research on safety in grain handling facilities. A report by the National Academy of Sciences, partially funded by FGIS, formed the basis for the hearing.

FISCAL YEAR 1984 REQUEST

The budget for Fiscal Year 1984 provides $41.6 million for FGIS. Of this amount, $34.8 million will be funded from user fees and $6.9 million from appropriated funds. A comparison to the prior year shows a total Fiscal Year 1983 budget of $41.8 million which is comprised of $36.3 million in user fees and $5.5 million in appropriated funds. The Fiscal Year 1984 request represents our continued efforts to provide both the public and the grain industry with a cost effective program operating within the intent of the President's economic recovery plan. Our appropriated request represents an increase of $1.3 million over Fiscal Year 1983. Appropriated funds will be used for standardization, compliance and international monitoring activities. As directed by Congress, the GSA Advisory Committee, previously funded by FGIS appropriations, will be funded from a separate Department of Agriculture appropriation account.

Over the last three fiscal years, FGIS funding history shows that the agency has made progress in reducing both its appropriated and total spending. Total agency expenditures during Fiscal Year 1981 were $57 million; our request of $41.6 million for Fiscal Year 1984 represents a reduction of $15.4 million or 27 percent below the Fiscal Year 1981 level. During this time period, our appropriated funding has been reduced from $25.1 million in Fiscal Year 1981 to the Fiscal Year 1984 requested level of $6.9 million.

During Fiscal Year 1984 we intend to carry out our inspection and weighing programs and supervise Federal employees within the estimated fee expenditure of $34.8 million. However, the export volume will affect our expenses in these areas and likewise our revenues. Should exports increase substantially, an occurrence that would be welcomed, we may be forced to exceed this estimate in order to continue Congressionally mandated services.

PROGRAM INCREASES

Our request of $6.9 million in appropriated funds represents an increase of $1.3 million over the amount appropriated in Fiscal Year 1983. Appropriated funds for Fiscal Year 1984 will continue primarily to cover compliance, standardization and international monitoring activities. The increased funds are needed since personnel are being shifted from the fee supported inspection activities to the appropriation supported monitoring of official agencies and their equipment. No new positions are involved.

FEDERAL OVERSIGHT OF OFFICIAL AGENCIES

We are striving to maintain nationwide uniformity in the application of inspection procedures by official inspection agencies in the interior markets. We are requesting an increase of $1.3 million to enable FGIS to oversee official agency procedures and equipment and ensure compliance with the provisions of the U.S. Grain Standards Act. Our compliance activities accrue national benefits in the sense that uniformity in inspection and weighing facilitates trade. Funding for these activities logically should be borne by appropriations. This will reduce user fee funded supervision costs, thereby mitigating the financial burden our supervision fees place on State and private inspection agencies. We think a lessening of this burden will encourage the use of official inspections in the interior and enhance a uniform nationwide inspection system from which the public benefits.

CONCERN

In closing, I would like to discuss a major concern. The effect of varying export levels and grain movement are significant factors in the capability of FGIS to carry out its program. Under current law --Omnibus Budget Reconciliation Act of 1981--total administrative and supervisory costs can not exceed 35 percent of the total costs of inspection and weighing activities. We have made great strides the last two years in reducing administrative and supervisory costs. However, there is a limit to the amount of reduction we can make in this area and still retain a knowledgeable and qualified professional and technical staff. Although I am sure the Committee would agree that reductions in variable costs are consistent with the goal of matching costs and revenues, such reductions cause fixed administrative costs to represent a larger proportion of our total expenses. We are constantly reviewing this financial situation. If it becomes necessary, we may need to request legislation to remove the 35 percent restriction.

Mr. Chairman, this concludes my testimony. I would be glad to answer any questions you or other members of the Committee may have.

BUDGET REQUEST

Dr. GILLES. As you correctly indicated, over the past 3 years this agency has a funding history that shows the agency has made progress in reducing both its appropriated and total spending. User fees have gone from 58 percent in 1981 to 84 percent of the total budget for fiscal year 1984. The total expenditures represent a reduction of more than $15 million, or 27 percent below fiscal year 1981. The executive budget request for fiscal year 1984 provides $41.6 million, which is about the same level that this agency enjoyed in 1978. Of this amount, $34.8 million will be funded from user fees and $6.9 million from appropriated funds.

During 1984, we intend to carry out our inspection and weighing programs and supervise Federal employees within the estimated expense of $34.8 million. However, export volume of grain will affect our expenses in these areas, and likewise, our revenues from those fees.

Our request for $6.9 million in appropriated funds represents an increase of $1.3 million over the amount appropriated for 1983. The appropriated funds will continue primarily to cover the compliance, standardization, and international monitoring activities. The increased funds are needed, since qualified personnel are being shifted from the fee-supported inspection activities to the appropriations-supported monitoring of official agencies and their equipment.

We are striving to maintain nationwide uniformity in the application of inspection procedures. No new positions would be involved. Since our activities accrue national benefits in the sense that uniformity in inspection and weighing facilitates trade, funding for these types of activities logically should be borne by appropriations.

In closing, I would like to emphasize that the effects of varying export levels and grain movements within the domestic market are significant on the ability of this agency to carry out its program. We feel we have made great strides in the past 3 years in reducing administrative and supervisory costs. However, there is a limit to the amount of reduction we can make and still maintain a qualified professional and technical staff.

With those comments, Mr. Chairman, I would conclude my testimony and am ready to respond to your questions.

USER FEES

Senator COCHRAN. What has the impact been of the user-fee program in terms of industry support and reaction? They have had an opportunity to get used to it, I would think.

Dr. GILLES. I have the impression the industry has not reacted to user fees at the export markets, where the inspection is mandatory. There has been very little change, except during the course of the last fiscal year, where exports of major grains are down about 2.5 percent. Within the domestic market, where the inspection is voluntary, there have been some 800,000 fewer inspections. The industry has chosen either to forego inspection or, in certain instances, to use an unofficial service. However, there still is the opportunity for the inspection in the domestic market.

Senator COCHRAN. Has this resulted in any abuses that have come to the attention of the Service? Is there a correlation between numbers of inspections and the accuracy of the weight and quality of the grain and that kind of thing?

Dr. GILLES. I don't believe that this is a major factor, Mr. Chairman. Obviously, if you cause increased inspection activity, a greater variation may occur. The total volume of inspection still remains sufficiently high. I think the point that could be made is that we have a legislatively created advisory committee, and this committee meets periodically and has offered suggestions. The suggestions we are getting indicate that the industry appreciates the level and the quality of service they are now receiving. As a matter of fact, they have indicated the quality of service has improved.

ADVISORY COMMITTEE

Senator COCHRAN. Is this the Grain Standards Advisory Committee that you refer to?

Dr. GILLES. Yes; it is. It consists of 12 people representing the entire industry, from producers to exporters.

Senator COCHRAN. Is that committee worthwhile?

Dr. GILLES. Yes, sir, I think it is. They have proven to be very helpful in terms of offering suggestions and evaluating potential changes in programs. They play their role as adviser quite well. There are times when we say, "Thank you for your advice, but we cannot accept it." I think they have responded positively.

Mr. MCMILLAN. I would like to emphasize that the advisory committee working with the Federal Grain Inspection Service has given some very valuable advice to FGIS. The improved productivity of FGIS is one aspect of the overall program improvement. With the user-fee system which was a major departure from the way the program has been run, with the improved productivity, and with the cutting out of fat that was built into the agency, I think there is general industry concurrence that the committee has been a plus.

FOREIGN COMPLAINTS

Senator COCHRAN. That is good news. Has there been any recent assessment of how well we are doing in terms of inspecting grains that are to be sold in international commerce? Are the levels of complaints up or down? What is your assessment right now of that?

Dr. GILLES. The number of complaints for the fiscal year 1982 is about one-half of fiscal year 1981. We had 13 complaints as opposed to 23 in the previous year. The level of complaints is down, again attesting to the point made by Secretary McMillan. I think the quality of service is good. However, there are various reasons why complaints occur. For example, some of them are economic considerations, with the hope that perhaps by complaining there can be a reconsideration of the price. So, one has to evaluate these complaints rather carefully.

Senator COCHRAN. Well, I heard one over in China in October. I was one of a group who was discussing our trade relations with officials in Shanghai at the port where grains are received and stored and then distributed. They made a point of complaining about the fact that they had received a shipment or more with a good deal of dirt or foreign material in the grain, and that this contrasted with shipments they had received from other places around the world. They made a big point about this. Were you aware of that, or was that one of the complaints?

Dr. GILLES. I am not aware of that specific one, sir, and I don't know if it was lodged as a specific complaint. But we do hear from time to time concerns about excess dockage, and it depends upon the specifications of the individual contract.

Senator COCHRAN. They don't contract for dirty grain, do they?

Dr. GILLES. They don't knowingly do so. It will depend on what quality they are requesting. I think again one has to evaluate the complaint on the basis of contract specifications.

COMPLIANCE ACTIVITIES

Senator COCHRAN. Your request this year reflects an increase of $1.3 million, part of which is to fund compliance activities that were earlier determined to be supervisory in nature, and thus, supported by user-fee funds. Why was this change made in a description of activity so they would be paid for by appropriated funds instead of user-fee funds?

Dr. GILLES. It primarily was a result of an analysis that the agency conducted on definition of functions, and many of the functions that have been carried on in the area of supervision and administration actually seem to be more appropriately defined as compliance type functions. In the past, when a person from a field office went to one of the official agencies and made an assessment of how well they were conducting their affairs or whether their equipment was in conformance with the regulations, these activities were considered supervision activities. In fact, they should be compliance activities. The redefinition now recognizes these considerations.

ELEVATOR SAFETY

Senator COCHRAN. How have we been doing in our efforts to reduce the number of accidents occurring at the grain elevator or storage place, mills and the like?

Dr. GILLES. The safety activities, of course, take on several different facets. When we look at the matter of safety, we are primarily concerned with the export elevators where our employees work. These represent approximately 54 of the roughly 15,000 elevators in the country. Therefore, we are quite concerned about the working conditions. There are regulations that require our employees to report unsafe conditions. The employees can leave the scene if, for example, they find hazardous conditions, such as someone welding in a dusty atmosphere.

Last year, there were 14 grain dust explosions. This was down from 23 the year before. In terms of injuries and death, there were two major explosions that occurred in fiscal year 1982. The one at Raymond, Nebr., in November, was precipitated by a propane gas explosion. The other major explosion occurred at AGRI Industries in Council Bluffs, Iowa; the cause of that explosion is not known. Most of the deaths and injuries resulted from those two incidents. No Federal employees were involved.

INTERNATIONAL MONITORING

Senator COCHRAN. Last year, you announced that the international monitoring function would be done by a separate staff. Did this reorganization, if that is what it was, occur, and if so, have the results been productive?

Dr. GILLES. The international monitoring function is now conducted by an identifiable staff. The reorganization has been successful. Last year, out of a total of 13 complaints only 4 were valid. In reference to a previous comment, sir, in scanning this resource material, I do not see any formal complaints that came from China last year.

THE PEOPLES REPUBLIC OF CHINA

Senator COCHRAN. I was just trying to refresh my memory about the nature of the discussion that we had in Shanghai with these port officials. They were continuing to be concerned with importing wheat from the Northwestern part of our country because of the smut in the wheat. Is this something that is a special problem for the Federal Grain Inspection Service? Do our shipments out of those ports along the

Northwestern coast have a high incidence of smut or other problems related to them?

Dr. GILLES. Smut is a very serious problem from the standpoint of the Chinese. The smut is TCK smut. The Chinese have made allegations that TCK smut was identified in the grain originating in the Pacific Northwest area. One of the conflicting problems is the fact that the spores of several different types of microorganisms are similar. I think the reaction of the Chinese officials primarily has been to order grain from other ports rather than the Pacific Northwest, thereby assuring that the TCK would not indeed be imported. From our point of view, TCK is generally not a major problem. We have a scientific difference, as well as an inspection difference, because of the similarity of the spores from several different microorganisms. As a consequence, more wheat is shipped from the Gulf to China than from the Pacific Northwest.

Senator COCHRAN. That is not all bad.

Dr. GILLES. It depends on where you live.

Senator COCHRAN. When I was in China, we had an opportunity to meet with Vice Premier Wan Li—they used to have a lot of vice premiers, now they just have a few—and it was encouraging to hear him say that he could foresee continued importation by China of large quantities of wheat from the United States. They are diversifying their purchases of other commodities. As a result, it hung up the textile import quota program. They said they weren't going to buy any more cotton from us, which is unfortunate. Apparently, we will be continuing to export substantial quantities of wheat in the future, and I wonder if we do have a specific problem of inspection of grains going to China, it might serve the interest of our wheat farmers and corn farmers to tighten up on inspection procedures, rather than to see us lose a large market there because of continuing problems with either the smut from the Northwest or grain that was contaminated by excessive dust, or whatever.

Dr. GILLES. Mr. Chairman, we certainly share your concern. I would like to add that I too had the privilege of visiting China a year ago. As a result of that visit, a protocol was developed to share information between the inspectors of the United States and the inspectors in the Peoples Republic of China. Last year, a group from the Peoples Republic of China came to the United States and again reiterated this action. I think we are on a very positive note in exchanging information with the inspecting agencies of the Peoples Republic of China.

Senator COCHRAN. Good. Well, thank you very much. We may have a question or two I overlooked or should have asked. We will submit those to you in writing and ask you to respond for the record.

Dr. GILLES. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR COCHRAN

COMPLIANCE ACTIVITIES

Question: Your request reflects an increase of $1.3 million, part of which will fund compliance activities that earlier were determined to be supervisory in nature, and, thus supported by user fee funds. What are these "transferred" activities, and why are these categories being changed?

Answer: A review of our Federal oversight program during the past year revealed that some supervisory inspection and weighing activities were actually oversight-compliance activities. For example, random selection of grain samples and review of official agency inspection procedures placed under the broad category of "supervision." Providing appropriated funds for compliance activities which have been supported by user fees will result in the transfer of 40 staff years from the FGIS revolving fund to the appropriated fund account. This transfer will enable FGIS to maintain an effective review of the performance of official agencies and their equipment, thereby providing adequate evaluation of the national official inspection and weighing system. The field compliance activities benefit the inspection system and public as a whole. Consequently, we believe the cost of these activities should be borne by appropriated monies.

Question: Do you anticipate additional changes from user-fee based activities to appropriations-supported items, or vice versa?

Answer: At this time, no major changes are anticipated.

ADVISORY COMMITTEE

Question: What has been the role of the Grain Standards Advisory Committee?

Answer: The role of the Grain Standards Advisory Committee has been to provide advice to the Administrator with respect to the efficient and economical implementation of the United States Grain Standards Act.

Question: What recommendations, if any, has the Committee made?

Answer: The Advisory Committee has strongly supported Agency efforts to reduce costs to operate in a cost effective manner. The Committee has made several recommendations regarding financial, standardization, and general matters. In the financial area, it was recommended that FGIS maintain a 3-month operating reserve; that uses fees be increased; and that fees for appeal inspection fully recover costs. In the standardization area, they endorsed the FGIS Administrator's policy that the U.S. grain standards describes the physical and biological condition of the grain at the time of inspection; recommended that national rather than regional moisture charts be continued to promote uniformity; recommended that FGIS study the feasibility of developing a method for the objective and consistent determination of hard and vitreous kernels; and recommended that the wheat standards be reviewed. The Committee also supported the reorganization of the field staff; supported a complete separation of official and unofficial grain inspection services; supported the FGIS proposal not to require the use of a diverter-type mechanical sampler on export rail, trucklot, sacked grain, and bargelot shipments, but that the present requirements to show method and depth of sampling be continued; and supported the definitions for compliance, supervision, and standardization activities.

Question: Are any of these recommendations being implemented?

Answer: Most of the recommendations have been or are being implemented.

Question: What are the costs associated with the Committee in Fiscal Year 1982, 1983 and 1984?

Answer: Committee expenses for Fiscal Year 1982 totaled $32,043; this represented four meetings held in Washington, D.C. In Fiscal Year 1983, we estimate that actual expenses will be closer to $34,000.

Present legislation does not authorize funding of the Advisory Committee after September 30, 1983. If new legislation is enacted to extend the funding of the Committee, or the Secretary authorizes extension, we estimate that the cost for Fiscal Year 1984 would be slightly higher than the previous year.

The 12 members of the Committee serve without compensation. FGIS provides clerical and staff support.

USER FEES

Question: How is the user fee system operating?

Answer: This system is operating satisfactorily. Our revenues under the user fee system depend on levels of grain movement in both the export and interior markets. During Fiscal Year 1982 exports declined by 2.5 percent from the previous year and the number of interior inspections by official Agencies dropped by 800,000. Consequently, during Fiscal Year 1982 operating costs exceeded revenues and we experienced an operating loss of approximately $5 million.

In response we have taken a number of steps to reduce costs. These include the closing of five field offices, a reduction of full time permanent personnel, and emphasis on seasonal employment. Finally, fee increases of between 6 and 28 percent were implemented January 1, 1983.

We are optimistic that these changes will have a positive effect on our user fee system. However, our revenues ultimately depend on grain movement. While FGIS has experienced an operating loss of $1.6 million thru January 31 of this fiscal year, we did realize a margin of approximately $60,000 in January. We are hopeful that January was a turning point for the financial condition of FGIS. Contributing to the January changes were increased export activity in that month, a fee increase effective January 1, and previous management decisions relating to cost reductions. Preliminary reports indicate that the increase in exports has continued thru February.

Question: Do you have the necessary tools in the authorizing legislation to do the job adequately?

Answer: Yes, with one exception, the 35 percent limitation on supervision and administration costs. The Omnibus Budget Reconciliation Act of 1981, required FGIS, as of October 1, 1981, to recover the cost of administrative and supervisory activities through user fee assessments. This legislation also mandates that these supervision and administration costs can not exceed 35 percent of the total costs of inspection and weighing activities. Although we have made great strides in holding down the costs of supervision and administration, there is a limit to what we can do in this area and still maintain a viable program. In addition, administration costs are often fixed, while costs of inspection and weighing vary with the level of grain movement. As we experience situations such as the reduced grain movements of the previous year, we attempt to match costs and revenues by holding down our variable inspection and weighing costs. Consequently, as total costs are reduced, fixed administration and supervision costs represent a larger proportion and we begin to approach the 35 percent limitation. This situation is constantly under review, but if necessary, we may have to request legislation to remove the 35 percent limitation.

Question: What is the reaction to the user fee system now that it has been in place for a couple of years?

Answer: User fees at export are mandatory and have been in effect since the inception of FGIS. Fees for supervision and administration have been in effect since October 1, 1981. A decrease in the number of official inspections in the domestic market has occurred as industry shifted to unofficial services or chose to forego inspection.

Industry has reacted favorably to our efforts to hold down our supervision costs. A very positive dialogue has been established with the industry through the efforts of the GSA Advisory Committee. The Committee, a useful forum for interaction between FGIS and the grain industry, has provided FGIS with helpful industry feedback in the the area of supervision fees, cost and methods.

Question: Last year you reported that inspections decreased following implementation of the user fee. Has that trend continued, and if so, what are the statistics?

Answer: It appears this trend has continued. During Fiscal Year 1982, official agencies performed 2.8 million official inspections. This was down about 22 percent from the Fiscal Year 1981 total of 3.6 million. During the first two months of Fiscal Year 1983, official agencies performed 562,000 official inspections. This is down about 11 percent from a comparable two month period in Fiscal Year 1982, when official agencies performed 633,000 official inspections.

GRAIN DUST

Question: There have been problems in the past with international grain sales due to the presence of excessive grain dust in shipments. Has any progress been made to correct these problems?

Answer: Our records for Fiscal Year 1982 show no foreign complaints for dust. Grain dust is more an appearance and customer dissatisfaction problem rather than a quality problem. Dust is generated and produced each time grain is handled. Currently, the majority of export elevators remove dust and do not return it to the grain during loadings.

Cleaning large volumes of grain is costly and may not be economically feasible in some circumstances. Foreign buyers' willingness to purchase higher quality grain will be a key factor governing whether United States companies remove grain dust.

INTERNATIONAL MONITORING STAFF

Question: Last year you announced that the international monitoring function would become a separate staff. Did this occur, and, if so, have the results been productive?

Answer: Yes, the international monitoring function is conducted by an identifiable staff in the Administrator's office. When there is a specific complaint, the problem is referred to a specialist knowledgeable in weighing and inspection problems. This is an attempt to use our staff people more appropriately for those incidents where international activities require prompt and appropriate response.

GRAIN ELEVATOR EXPLOSIONS

Question: Grain elevator and mill explosions are still the bane of the grain storage industry. What was the incidence of accidents in fiscal year 1982 and to date in fiscal year 1983? Please provide details of each incident.

Answer: The following table provides details of each incident during fiscal years 1982 and 1983.

Fiscal Years 1982 and 1983
Reported Grain Dust Explosion Incidents
in Grain Handling Facilities

Fiscal Year 1982

No.	Facility & Location	Date	Injuries	Deaths	Probable Cause
1	Garnac Elevator San Diego, CA	10/06/81	0	0	Unknown
2	Gold Proof Elevator Louisville, KY	10/08/81	1	0	Unknown
3	Del-Mar Industries, Inc. Longview, TX	11/06/81	3	2	Unknown
4	MFA Carouthersville, MO	01/05/82	0	0	Spontaneous combustion of soybeans

Fiscal Year 1982 (continued)

No.	Facility & Location	Date	Injuries	Deaths	Probable Cause
5	Producers Grain Corpus Christi, TX	02/04/82	0	0	Fire and explosion in car dump cyclone collector
6	Continental Grain Reserve, LA	03/10/82	0	0	Fire and explosion in dust filter on dock
7	Riceland Food, Inc. Helen, ARK	03/10/82	0	0	Metal bucket on elevating leg
8	Feeders Grain & Storage Tarkio, MO	03/14/82	0	0	Welding on auger
9	Critic Mills Beardstown, IL	04/01/82	2	1	Welding on leg
10	Southern States Feed Mill Winchester, KY	04/08/82	2	0	Hot bearing on elevating leg
11	AGRI Industries Council Bluffs, IA	04/20/82	24	5	Unknown
12	Central Soya Henderson, KY	05/25/82	0	0	Defective electrical wiring
13	Farmers Coop Elevator Newman Grove, NE	06/09/82	0	0	Head pulley rubbing against leg casing
14	Farmers Export Philadelphia, PA	07/12/82	4	0	Welding in shipping gallery
TOTAL, Fiscal Year 1982			36	8	

Fiscal Year 1983

No.	Facility & Location	Date	Injuries	Deaths	Probable Cause
1	Henkel Inc. Keokuk, IA	10/08/82	0	0	Pneumatic pump muffler overheated
2	Raymond Coop Elevator Raymond, NE	11/16/82	1	6	Propane caused primary explosion

Fiscal Year 1983 (continued)

No.	Facility & Location	Date	Injuries	Deaths	Probable Cause
3	Young Grain Co. Newburg, IN	11/22/82	0	0	Truck leg hot bearing on head drive
4	Parr Grain Co. Parr, IN	01/08/83	0	0	Welding on steel bin
5	Indian Head Grain Lubbock, TX	01/14/83	0	0	Not determined
TOTAL, Fiscal Year 1983			1	6	

CLOSING REMARKS

Senator COCHRAN. Mr. Secretary, do you have any closing words of wisdom for us?

Mr. MCMILLAN. No; I really don't, Mr. Chairman. It is always a privilege and pleasure to come before your subcommittee, and today was no exception.

Senator COCHRAN. Thank you. It is always a pleasure to have you here.

SUBCOMMITTEE RECESS

The next meeting of this subcommittee will be on Tuesday, March 15, at 9:30 a.m., in this room, SD-124. We will hear representatives from the Soil Conservation Service, the Agricultural Stabilization and Conservation Service, the Foreign Agricultural Service, and the Office of International Cooperation and Development.

The subcommittee stands in recess until that time.

[Whereupon, at 10:33 a.m., Thursday, March 3, the subcommittee was recessed to reconvene at 9:30 a.m., Tuesday, March 15.]

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, MARCH 15, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:37 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Thad Cochran (chairman) presiding.

Present: Senators Cochran and Burdick.

DEPARTMENT OF AGRICULTURE

SOIL CONSERVATION SERVICE

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

STATEMENTS OF:

- **JOHN B. CROWELL, ASSISTANT SECRETARY, NATURAL RESOURCES AND ENVIRONMENT**
- **PETER C. MYERS, CHIEF, SOIL CONSERVATION SERVICE**
- **EVERETT RANK, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE**

ACCOMPANIED BY:

- **J. DAWSON AHALT, ACTING DEPUTY UNDER SECRETARY, COMMODITY PROGRAMS**
- **ROBERT SHERMAN, DEPUTY BUDGET OFFICER, DEPARTMENT OF AGRICULTURE**

INTRODUCTION OF WITNESSES

Senator COCHRAN. The subcommittee will come to order.

Today, the subcommittee will hear from representatives of several agencies and programs within the U.S. Department of Agriculture. We are going to operate with two panels this morning. The first will focus on the conservation activities of the Soil Conservation Service and of the Agricultural Stabilization and Conservation Service. The second panel will focus on the budget requests for the Commodity Credit Corporation, the stabilization functions of the ASCS, the Foreign Agricultural Service, the Office of International Cooperation and Development, and the Public Law 480 program.

USDA CONSERVATION PROGRAMS

USDA's numerous conservation activities are vitally important to the Nation, and, consequently, this subcommittee places a high priority on the funding of those activities.

The Soil Conservation Service administers a number of important technical programs that are designed to improve and conserve soil and water resources that are so vital to agriculture. These programs are administered through 3,000 conservation districts across the country. They include activities aimed at reducing damage caused by flooding and sedimentation, as well as programs to address a variety of erosion control and water management problems.

The ASCS administers some very important conservation programs which provide cost-share assistance to farmers and landowners. These programs include the agricultural conservation program—ACP, the forestry incentives program, the water bank program, and the emergency conservation program.

I note that the budget requests for conservation activities reflect substantial reductions in Soil Conservation Service and ASCS program accounts.

The Soil Conservation Service request of $474.4 million reflects an overall reduction of $118.7 million from the fiscal year 1983 level. Most of the decrease is for watershed and flood prevention operations and for resource conservation and development.

As for the ASCS cost-sharing programs, the administration is again this year requesting the consolidation of the agricultural conservation program, the emergency conservation program, the water bank program, and the forestry incentives program into one program funded at a level of $56 million. This request, in effect, means a $134 million reduction in agricultural conservation programs and the elimination of the $12.5 million forestry incentives program and the $8.8 million water bank program. The total request for the conservation activities of ASCS is $103.4 million, a decrease of $142.1 million from last year's level.

Leading this first panel is John B. Crowell, Jr., Assistant Secretary of Agriculture for Natural Resources and Environment. Accompanying Mr. Crowell are Peter C. Myers, Chief of the Soil Conservation Service; Everett Rank, Administrator of the Agricultural Stabilization and Conservation Service; and their colleagues, along with Bob Sherman and Dawson Ahalt. We welcome you all here. We do have copies of your prepared statements which will, of course, be incorporated in the record in full. We will ask you to summarize and make such statements that you feel are indicated.

Mr. CROWELL. Thank you, Mr. Chairman.

[The statement of Mr. Crowell follows:]

STATEMENT OF JOHN B. CROWELL, JR.

Mr. Chairman and members of the Committee, I am privileged to appear before you to support the 1984 budget request for the Soil Conservation Service. Mr. Peter C. Myers, Chief of the Soil Conservation Service, and some of his key staff are here with me. Mr. Myers is appearing before the Committee for the first time. He will present a statement in support of the budget, and he and his staff will help me respond to your questions.

Mr. Chairman, the Executive Branch has made some very difficult decisions in developing the 1984 Budget request for the Soil Conservation Service. These decisions reflect the need to reduce Federal outlays and to continue policies of fiscal restraint in order to slow the growth in Federal budget deficits that have plagued our economy in recent years.

President Reagan sent to the Congress on December 21, 1982, a recommended National Program for Soil and Water Conservation. This was required under Public Law 95-192, the Soil and Water Resources Conservation Act of 1977. The report presents a program that is based on an appraisal of existing resource conditions and trends and on projected resource needs. It was accompanied by a statement of Presidential policy. It fills an important need for a document that sets forth the direction for future soil and water conservation efforts of the United States Department of Agriculture. The program will be used as a guide in carrying out the activities of the Soil Conservation Service and its sister agencies with conservation programs.

The array of problems and needs for soil and water conservation is well documented. We have spent the last two years talking with and listening to people who would share their views on this subject. We have completed the unfinished task we inherited. Secretary Block has devoted a substantial amount of personal time and effort to developing the Administration's conservation policy. Conservation of soil and water resources is one of his top priorities as Secretary of Agriculture. He has assigned me to chair a Task Force of the eight agency heads who will be responsible for the implementation of the National Program for soil and water conservation. Implementing a uniform policy across agency lines will be challenging, but we are optimistic that with our teamwork approach we will accomplish this important task. Several key initiatives are already underway.

Our conservation policy decisions have potential far-reaching effects on farmers and consumers. Some projections of domestic and foreign demand and alternative rates of growth in agricultural productivity indicate that within 50 years there could be significant increases in the cost of agricultural production as well as increases in cropland erosion. Even though we are faced with the current outlook for excess production capacity due to favorable weather and low demand, there is considerable uncertainty in the long-run outlook. Therefore, sound public policy should recognize the importance of conserving topsoil and water resources that may be so important to our Nation's future.

The President's policy statement establishes, for the first time, a set of national priorities for conservation. Excessive soil erosion poses the greatest threat to our future for agriculture. Thus, reducing soil erosion heads the list of priorities. Water conservation and reduction of damages from upstream flooding come next. Beyond this brief listing, we recognize that conservation needs vary among different parts of the Nation. Additional priorities for USDA assistance will be set at the State and local levels and a strong base program will be maintained to service the conservation needs of all the agricultural areas.

Targeting is the centerpiece of the new program with conservation tillage and similar measures that are cost-effective in preventing erosion and conserving water as the main thrust. We expect terraces, diversions, and other measures will still be planned and built where they are needed. But the program will focus on first things first. That means we will concentrate more of our effort in correcting resource problems with management practices. There is not enough money available from private or public sources to achieve the rate of progress needed if we rely too heavily on these more costly solutions.

The rationale for targeting rests on the fact that serious soil and water conservation problems are not uniformly distributed nationwide. This is one of the key findings in the RCA appraisal. The actual data are summarized on the enclosed Table 1 which is provided for the record. Note that 77 percent of the cropland is eroding at less than 5 tons per acre which is generally considered to be the level which can be sustained without any loss of productivity, except for sensitive soils. The next category, which is eroding at between 5-10 tons per acres, accounts for about 13 percent of the cropland and about 11 percent of the total excess erosion. Together these two categories account for 90 percent of the cropland and only 11 percent of the erosion. Hence, the remaining 10 percent of the cropland, or 41 million acres accounts for an astounding 89 percent of all excess erosion. Clearly, meaningful progress towards reducing total excess erosion requires us to concentrate or target our efforts on these areas.

Our program then, provides for targeting a larger portion of the available technical and financial assistance, both personnel and funds, to geographic areas that have critical resource problems. The Soil Conservation Service and the Agricultural Stabilization and Conservation Service have committed at least 5 percent of the technical assistance and 10 percent of the ACP financial assistance funds to designated critical problem areas in fiscal year 1983. This funding is in addition to the base program levels for these areas and is intended to accelerate progress in correcting the most critical problems of erosion or water use for these areas. For FY 1984, our targeting effort will be expanded to 10 percent of the available technical assistance funds. This further increases the targeted effort in existing areas and expands the effort by allowing us to designate additional targeted areas in portions of 44 States. Consequently, the shifts between states of total conservation funding will not be as severe as some have feared. We intend to maintain a strong and viable base program for soil and water conservation in order to keep less critical and potential problems under control.

The enclosed Table 2 shows the estimated accomplishments for conservation technical assistance in targeted areas for 1984. Because we are zeroing in on a specific critical problem in these areas, our estimates of effectiveness for acreage protected, erosion prevented and soil saved are all higher in the targeted areas. For example, 25 percent of the cropland, 102 million acres, will be within targeted areas by 1984 and 35 percent of the prevented erosion, or 71.3 million tons, is projected to be saved within those areas. It will encompass over 60 percent of the land eroding at more than 2.8T, or 30 million acres. The tons of erosion prevented per acre on targeted acres is over 40 percent greater than that projected for nontargeted areas, or 6.4 tons compared to 4.5 tons per acre.

Actual accomplishments in FY 1982 showed that the targeted areas prevented 13.1 million tons of soil loss by erosion in FY 1982. This saving represented a 79 percent increase over pre-targeting levels. It also conserved 152.6 thousand acre feet of water on 104,000 acres treated within the targeted areas. This saving of 1.5 feet per acre is nearly equal to the total amount of water used per acre of irrigated cropland in 1975, as reported in the RCA Appraisal Part II.

The performance of targeting ACP has been equally impressive. For example, soil savings have risen from 6.5 tons per acre during the period 1975-78 to 9.9 tons in 1982--a 50 percent increase. Conservation of water use has risen from 0.76 feet per acre to 1.24 feet per acre--a 65 percent increase during the same period.

While the Administration is proposing unquestionably large reductions in the federal costsharing programs, the committee is reminded of the much larger level of assistance that is being offered through the acreage reduction and payment-in-kind programs. These programs will take a significant amount of acreage out of production, and farmers are being required to put the retired acreage to conserving uses. Frequently, conservation tillage and irrigation efficiency improvements can be justified on the basis of energy cost savings alone, thus reducing the need for federal financial assistance.

The budgets for all USDA conservation programs for FY 1984 have been coordinated and are responsive to the priorities set forth in the national program. We invite the Congress to examine the President's program report and to consider our budget proposals in relation to that program as well as in the context of the nation's current economic situation.

The 1984 Budget request for the Soil Conservation Service carries a modest increase for Conservation Technical Assistance to aid in tackling the worst erosion and water problems in targeted geographic areas.

The 1984 Budget includes substantial decreases in watershed protection and flood prevention programs, and includes a request to rescind $69.0 million in 1983 funds for these programs. These were painful choices given the level of current construction activity in our country today. On balance, we believe the work should be deferred until the Federal budget is under control.

The President's budget proposes a total of $50 million for the Colorado River salinity control activities. While most of the funds will go for measures to be installed by the Bureau of Reclamation, there is a critical and highly cost-effective component included in the USDA budget for on-farm salinity control measures in the amount of $12.6 million. Before now, funds for this activity were scattered in the budgets of ASCS, SCS, and the Extension Service. For 1984, the Soil Conservation Service will receive $2.4 million to provide on-farm planning and monitoring assistance in the Upper Colorado River Basin. The balance goes to the other agencies for cost-sharing and information-education assistance. The amount requested represents an increase of $8.2 million over the 1983 program level, and is an additional response to the treaty agreement between the United States and Mexico which calls for our country to make a substantial reduction in the salinity level of Colorado River water reaching Mexico.

In summary, I believe the 1984 Budget request for the Soil Conservation Service is responsive to the most critical on-farm needs, given the current economic climate and available resources. Mr. Chairman, that concludes my statement. I will be pleased to answer questions.

TABLE 1

United States Department of Agriculture

Annual sheet and rill erosion on cropland in excess of 5 tons per acre, by erosion rate, 1977

Annual erosion	Cropland		Excess Erosion	
Tons per acre	Million acres	Percent	Million tons	Percent
0-5	319.5	77.3	0.0	0.0
5-10	52.6	12.8	101.0	10.9
10-14	14.3	3.5	96.1	10.3
14-50	23.0	5.5	442.7	47.6
50+	3.9	.5	289.4	31.2
TOTAL	413.3	100.0	929.2	100.0

Source: 1977 National Resource Inventories, Soil Conservation Service

TABLE 2

UNITED STATES DEPARTMENT OF AGRICULTURE

Analysis of Soil and Water Conservation Problems, and Estimated Levels and Accomplishments of SCS Technical Assistance on Base and Targeted Areas, 1984

Problem Category	Total a/	Assistance level		Accomplishments						Performance	
				Benefitted		Protected		Erosion Prevented		Soil Saved	
		Base	Targeted	Base	Targeted	Base	Targeted	Base	Targeted	Base	Targeted
	Million Acres							Million Tons		Tons/Acre Treated	
Cropland Erosion:											
Less than 5T	272.2	230.8	41.4	2.7	.8	2.5	.3	6.5	2.0	1.3	1.8
5T-13.9T	93.1	62.4	30.7	8.0	4.1	6.5	1.8	66.0	32.8	4.6	5.6
More than 14T	48.0	18.0	30.0	6.2	3.2	3.9	1.0	61.5	36.5	6.1	8.7
TOTAL	413.3	311.2	102.1	16.9	8.1	12.9	3.1	134.0	71.3	4.5	6.4

				Treated		Water Conserved		Performance	
								Water Savings	
				Base	Targeted	Base	Targeted	Base	Targeted
	Million Acres					Thousand Acre Ft.		Feet/Acre Treated	
Water Conservation	62.0	38.5	23.5	.7	.4	N/A	690	N/A	1.7

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a/ Distribution of cropland acres by erosion category reflects wind as well as sheet and rill erosion and therefore differs from data displayed on Table I which excludes wind erosion. (Reference: Appraisal Part I, Table 34.)

FISCAL YEAR 1984 SCS BUDGET REQUEST

Mr. CROWELL. It is a pleasure for me to be here this morning to support the fiscal 1984 budget request for the Soil Conservation Service. As you have indicated, I am accompanied by Mr. Peter C. Myers, Chief of the Soil Conservation Service. Some of his key staff are also with us. This is Mr. Myers' first appearance before this subcommittee. He will present a statement in support of his budget, and he and his staff will help me respond to your questions.

Mr. Chairman, the executive branch has made some very difficult decisions in developing the 1984 budget request for the Soil Conservation Service. These decisions reflect the need to reduce Federal outlays and to continue policies of fiscal restraint in order to slow the growth in Federal budget deficits that have plagued our economy in recent years.

President Reagan sent to the Congress on December 21, 1982, a recommended National Program for Soil and Water Conservation. The President's policy statement established, for the first time, a set of national priorities for conservation. Excessive soil erosion poses the greatest threat to our future for agriculture. Thus, reducing soil erosion heads the list of priorities. Water conservation and reduction of damage from upstream flooding come next. Beyond this brief listing, we recognize that conservation needs vary among different parts of the Nation. Additional priorities for USDA assistance will be set at the State and local levels, and a strong base program will be maintained to service the conservation needs of all the agricultural areas.

SCS TARGETING PROGRAM

Targeting is the centerpiece of the new program, with conservation tillage and similar measures that are cost effective in preventing erosion and conserving water, as the main thrust. We expect that terraces, diversions, and other measures will still be planned and built where they are needed.

The rationale for targeting rests on the fact that serious soil and water conservation problems are not uniformly distributed nationwide. The actual data are summarized on the table which is included in my statement. Reference to that table will indicate that 77 percent of the cropland is eroding at less than 5 tons per acre per year, which is generally considered to be the level which can be sustained without any loss of productivity, except for fragile soils. The next category, which is eroding at between 5 and 10 tons per acre annually, accounts for about 13 percent of the cropland and about 11 percent of the total excess erosion. Together, these two categories account for 90 percent of the cropland and only 11 percent of the erosion. Hence, the remaining 10 percent of the cropland, or 41 million acres, accounts for an astounding 89 percent of all excess erosion. Clearly, meaningful progress toward reducing total excess erosion requires us to concentrate or target our efforts on these areas.

Our program, then, provides for targeting a larger portion of the available technical and financial assistance, both personnel and funds, to geographic areas that have critical resource problems. The Soil Conservation Service and the Agricultural Stabilization and Conservation Service have committed at least 5 percent of the technical assistance and 10 percent of the ACP financial assistance funds to designated critical problem areas in fiscal year 1983. This funding is in addition to the base program levels for these areas and is intended to accelerate progress in correcting the most critical problems of erosion or water use for these areas. For fiscal year 1984, our targeting effort will be expanded to 10 percent of the available technical assistance funds. This further increases the targeted effort in existing areas and expands the effort by allowing us to designate additional targeted areas in portions of 44 States. Consequently, the shifts between States of total conservation funding will not be as severe as some have feared. We intend to maintain a strong and viable base program for soil and water conservation in order to keep less critical and potential problems under control.

We have included a table for the record which shows the estimated accomplishments for conservation technical assistance in targeted areas for 1984. For example, 25 percent of the cropland, or 102 million acres, will be within targeted areas by 1984, and 35 percent of the prevented erosion, or 71.3 million tons, is projected to be saved within those areas. The tons of erosion prevented per acre on targeted areas is over 40 percent greater than that projected for nontargeted areas, or 6.4 tons compared to 4.5 tons per acre.

While the administration is proposing unquestionably large reductions in the Federal cost-sharing programs, the committee is reminded of the much larger level of assistance that is being offered through the acreage reduction and payment-in-kind programs. These programs will take a significant amount of acreage out of production, and farmers are being required to put the retired acreage to conserving uses. Frequently, conservation tillage and irrigation efficiency improvements can be justified on the basis of energy cost savings alone, thus reducing the need for Federal financial assistance.

The 1984 budget request for the Soil Conservation Service carries a modest increase for conservation technical assistance to aid in tackling the worst erosion and water problems in targeted geographic areas.

OTHER SCS BUDGET PROPOSALS

The 1984 budget includes substantial decreases in watershed protection and flood prevention programs, as you have noted, Mr. Chairman, and includes a request to rescind $69 million in fiscal 1983 funds for these programs. These were painful choices, given the level of current construction activity in our country today. On balance, we believe the work should be deferred until the Federal budget is under control.

The President's budget proposes a total of $50 million for Colorado River salinity control activities. While most of the funds will go for measures to be installed by the Bureau of Reclamation in the Department of the Interior, there is a critical and highly cost-effective component included in the USDA budget for onfarm salinity control measures in the amount of $12.6 million. Before now, funds for this activity were scattered in the budgets of ASCS, SCS, and the Extension Service. For 1984, the Soil Conservation Service will receive $2.4 million to provide onfarm planning and monitoring assistance in the Upper Colorado River Basin. The balance goes to the other agencies for cost-sharing and for information-education assistance. The amount requested represents an increase of $8.2 million over the 1983 program level and is an additional response to the treaty agreement between the United States and Mexico which calls for our country to make a substantial reduction in the salinity level of Colorado River water reaching Mexico.

In summary, Mr. Chairman, I believe the 1984 budget request for the Soil Conservation Service is responsive to the most critical onfarm needs, given the current economic climate and available resources. That concludes my statement. I will be pleased to answer any questions.

Senator COCHRAN. Thank you, Mr. Crowell.

CHIEF'S SUMMARY OF SCS BUDGET PROPOSALS

Mr. Myers, do you have a statement you would like to make at this point before we get into the questioning?

[The statement follows:]

STATEMENT OF PETER C. MYERS

Mr. Chairman, members of the Committee, I appreciate the opportunity to appear before you for the first time to review the progress being made to solve some of the soil and water problems on our agricultural lands, and to discuss the fiscal year 1984 budget request for the Soil Conservation Service.

Nearly a year has passed since I assumed the position of Chief of the Soil Conservation Service. Mr. Chairman, I can tell you it is a distinct privilege for me to be more deeply involved in the soil and water conservation movement, and to head an agency so dedicated to its work and mission. I have also come to appreciate your leadership and historical perspective on the need for this Nation to protect and conserve its soil and water resources.

With this in mind, I would like to discuss the scope and complexity of the Nation's critical erosion and water conservation problems, and the progress we are making in solving these problems.

Mr. Chairman, you are aware that we have been working on soil and water conservation problems for nearly 50 years. In some areas of the country, much progress has been made in putting conservation systems on the land. In other areas, we are barely holding our own. Agricultural production in the last decade resulted in huge acreages of pasture, hayland, and woodlands being converted to cropland for continuous row crop production. Fields were enlarged and conservation structures were destroyed to accommodate new, larger and more efficient equipment. Soil loss on these croplands does not necessarily threaten productivity immediately, but if not controlled, could eventually contribute to a serious loss of productivity in the future.

Our 1977 National Resource Inventories pinpointed erosion-prone lands more accurately than earlier surveys. We know now, with more assurance than we have ever had, just where the worst problems are. At the same time, we recognize the need to reduce the growth rate of Federal spending and the deficit. I am convinced that the most practical way out of our present dilemma is targeting. We must spend more of our money and use more of our people in those places where our data--and our common sense--tell us they are most needed.

We initiated targeting consistent with USDA policy in FY 1981 using $4 million of new money that Congress included in our budget. This effort was increased in FY 1982 again utilizing new money provided in the Appropriations Act. ASCS initiated targeting in FY 1982 and we have coordinated the targeting activities of the two agencies since that time. In FY 1983, for the first time, a portion of the funds we used for targeting were provided by redirecting a small amount--$2.9 million, slightly more than one percent of our budget for conservation technical assistance.

The key argument favoring targeting is that it will get more conservation applied where it is most needed. We now have preliminary information which indicates it does this. Data from our first 12 months of targeting to critical problem areas show that:

- Soil erosion was reduced by 3.5 million tons per year when compared to the pre-targeting condition in the first 10 areas where soil erosion was the critical problem.
- Soil erosion was reduced by an average of 14 tons per acre per year when conservation treatment was applied on cropland eroding at more than two times the acceptable rate.
- Approximately 130,000 acre/feet of water was saved where technical assistance was targeted to areas in need of water conservation practices.

The true measure of our performance is the application of conservation treatments that results in a resource that is adequately protected. Using this measurement the performance of SCS personnel assigned to targeted areas has been phenomenal, considering that much of the early efforts in the targeted areas involved startup time for hiring and training personnel and planning. In the 132 counties targeted during 1981, we have increased our staffing by about 50 percent. For FY 1982 land benefited by our efforts showed an increase of 85 percent over pre-targeting levels and land adequately protected was up 81 percent. We expect those accomplishment levels to increase even further in FY 1983 and beyond.

But all of us here recognize that targeting is only one of several ways of dealing with the Nation's erosion problems. We know that if we neglect the areas that don't now have serious problems, we need only look a few years into the future to see that new problems will crop up if we're not careful. We have no intention of letting that happen. This is why we are committed to maintaining a strong and viable base program for soil and water conservation. We do not want to lose the good conservation that's already been done and we want to keep potential problems under control.

However, we do recognize that the natural resource base in some areas of the country is relatively well protected. After years of good conservation work, some program funds can and should be shifted gradually to other areas. We expect that total funding will continue to be constrained given the current gap between Federal revenues and outlays and therefore, we need to shift some of our money and people to the critical areas if we are to address effectively the Nation's erosion and water problems.

Let me turn now to the details of the FY 1984 Budget request.

For fiscal year 1984, the budget requests $474.7 million for the Soil Conservation Service. Compared to the 1983 Appropriations Act, this is a decrease of $119.9 million. If rescissions of $74.6 million being proposed for 1983 appropriations are adopted, the amount requested for 1984 would be only $45.3 million lower.

Although this FY 1984 budget is a conservative one, it provides an increase for conservation technical assistance which will strengthen our ability to provide direct on-site assistance in protecting and conserving the resources of the Nation. The reductions offered are for activities that have a less immediate effect in correcting the conservation problems we have identified and can be delayed until the budget situation improves.

Conservation Technical Assistance

For fiscal year 1984, the Budget requests $262.6 million for Conservation Technical Assistance provided through local soil and water conservation districts. This is an increase of $11.3 million compared with 1983, and includes a program increase of $7.8 million to aid in targeted geographic areas.

Conservation Technical Assistance puts our soil conservationists and engineers on-the-land to work directly with farmers and ranchers. Our emphasis on cost-effective practices, such as conservation tillage, requires these people to be on-site with the farmer.

It is through Conservation Technical Assistance that we can reach the most people and can do the most conservation good given the current state of the economy and the need for fiscal constraint. The budget allows us to continue our all out effort to reduce soil erosion which threatens our long-term agricultural productive capacity.

Supporting Activities

Supporting our Conservation Technical Assistance Program, including our targeted effort, are Inventory and Monitoring, Soil Surveys, Snow Survey and Water Forecasting, Operation of Plant Materials Centers, and Resource Appraisal and Program Development. For fiscal year 1984, the Budget requests $78.4 million for these supporting programs, a decrease of $6.1 million compared to 1983.

Soil Surveys, Snow Surveys and Water Forecasting, and Plant Materials Centers will be operated at about the same level as in 1983.

For Inventory and Monitoring, we are requesting a decrease of $5.4 million based on the cyclical nature of our data collection workload. Most of the work will be completed on the 1982 National Resources Inventory in 1983. The proposed decrease would delete funds for NRI data collection work in 1984. These funds will not be needed until we initiate full data collection work for the next NRI.

For Resource Appraisal and Program Development, we are requesting a decrease of $1.7 million. We propose to omit new pilot projects and special studies in 1984 based on the need to reduce overall Federal spending.

River Basin Program

For River Basin Surveys and Investigations, the Budget is proposing a net decrease of $3.1 million for 1984. This includes a program decrease of $2.5 million based on the need for austerity in Federal spending. We would initiate 3 new River Basin Studies in 1984 compared to 10 for 1983. These surveys and studies now focus on the most severe soil and water problems such as excessive soil erosion, flooding, sedimentation and the inefficient use of water, and are used for many purposes including guidance of our targeted program efforts.

The Budget also provides for an $800,000 decrease representing savings from a change in the way economic analyses are done to support USDA cooperative river basin studies. Due to the change in the nature of this program over the years from basin-wide comprehensive studies to more specific problem area studies, the kind of economic analysis required has changed. Work traditionally done by the Economic Research Service and funded under this program can now more appropriately be done by SCS personnel or by contract with nonfederal entities. In place of this work, the Economic Research Service intends to seek direct funding to continue and expand needed economic analysis on broad natural resource issues.

Watershed Programs

For Watershed Planning, the Budget requests $7.7 million, a decrease of $1.2 million compared to 1983. This reduction is based on the need for austerity in Federal spending. At this level, there would be no new planning starts. This amount will be adequate to maintain a cadre of experienced watershed planning specialists who will concentrate on completing plans that are now in progress. It permits us to maintain the experienced staff that will be required at such time as conditions favor the initiation of new planning starts.

For Watershed and Flood Prevention Operations, the Budget requests $96.6 million, a decrease of $88.0 million compared to 1983. The President is also requesting a 1983 Budget rescission of $69.0 million for this account that will reduce the level of construction activity but still provide for new construction starts. If the Congress approves this rescission request, the 1984 decrease for this account will be $19.0 million compared to 1983. No new construction starts are planned for FY 1984.

Watershed Operations authorized by Public Law 534 would be funded at $15.2 million, a decrease of $8.0 million from 1983. Small Watershed Operations under Public Law 566 would be funded at $81.4 million, a $70.0 million decrease from 1983. This can be accomplished by deferring construction starts and slowing down ongoing work until current economic conditions improve.

The Budget also proposes a program decrease of $10.0 million for Emergency Watershed Protection. There has been about $5 million in unobligated funds carried forward for the past few years because of the reduced demand for emergency services. This should be sufficient to meet normal emergency needs during FY 1984. This proposal for a decrease is a one-time request.

Great Plains Conservation Program

For the Great Plains Conservation Program, the Budget requests $15.5 million for 1984. This is a decrease of $5.8 million compared to 1983. The reduction is concentrated in financial assistance and construction contracting activities and will come entirely from funds ordinarily used for new cost-share agreements. Commitments to our present cooperators will be honored, and 300 new contracts will be written. It is anticipated that other USDA programs, such as the newly offered Payment-in-Kind, will help to mitigate the impact of this reduction in on-the-ground conservation work.

Resource Conservation and Development

Funding for the Resource Conservation and Development Program is not included in the FY 1984 Budget. A proposal to rescind $5.6 million of the funds appropriated for 1983 has been included in the President's Budget. This proposal would also rescind the 1983 Appropriation Act language stating that funds appropriated for 1983 may not be used to terminate the Program. If this rescission is approved, actions would be taken to terminate the program by the end of FY 1983.

Summary

The fiscal year 1984 Budget request will fund 13,500 staff years of employment compared to about 13,800 staff years funded in 1983. It will permit us to accelerate technical assistance to farmers and ranchers and to focus our efforts on our most critical resource problems while maintaining an effective nation-wide program as well. It will also necessitate the deferral of construction activity based on the need for fiscal restraint in Federal spending to reduce Federal budget deficits. These are difficult economic times and hard choices must be made in the Federal Budget. We believe that the Budget proposed for the Soil Conservation Service would make the most effective use of the overall funding level that can be made available to us at this time.

I am also providing a budget table which provides a summary of the precise numbers for each budget account and a table which provides a National Summary of the Contributions of Funds and Services by Non-SCS sources, such as State and local governments. These contributions total $276.3 million for 1982 compared to $267.1 million for 1981. In spite of the Nation's economic problems, it is apparent that Americans view soil and water conservation as a matter of high priority.

Mr. Chairman, that concludes my prepared statement. With the help of my staff, I will be happy to answer your questions.

SOIL CONSERVATION SERVICE
FY 1984 BUDGET
($ in Thousands)

	1982	1983 Current Estimate*	Proposed Changes		1984 Budget Estimate
			Program	Pay Space, Other: Adjustment 1/	
CONSERVATION OPERATIONS:					
1. Technical Assistance	$233,916	$251,419	+$7,809	+$3,643	$262,871
2. Inventory and Monitoring	16,127	19,505	-5,829	+422	14,098
3. Soil Surveys	49,254	51,423	--	+901	52,324
4. Snow Survey and Water Forecasting	3,616	3,796	--	+47	3,843
5. Operation of Plant Materials Centers	3,558	3,836	--	+59	3,895
6. Resource Appraisal and Program Development	4,338	5,995	-1,796	+83	4,282
Total, Conservation Operations	310,809	335,974	+184	+5,155	341,313
RIVER BASIN SURVEYS AND INVESTIGATIONS:					
1. USDA Cooperative Studies	10,882	11,635	-1,900	+84	9,819
2. Flood Plain Management Assistance	2,131	1,950	-566	+16	1,400
3. Interagency Coordination Program and Formul..	2,487	2,834	-808	+19	2,045
Total, River Basin Surveys and Investigations	15,500	16,419	-3,274	+119	13,264
WATERSHED PLANNING AUTHORIZED BY PL-566	8,690	8,877	-1,255	+93	7,715
WATERSHED AND FLOOD PREVENTION OPERATIONS:					
1. Watershed operations authorized by PL-534:					
a. Technical Assistance	13,201	12,967	+361	+518	13,846
b. Financial Assistance for construction	10,421	10,014	-8,869	--	1,145
c. Loan Services	219	219	-38	+7	188
Subtotal, Flood Prevention	23,841	23,200	-8,546	+525	15,179
2. Emergency Watershed Protection Operations	10,000	10,000	-10,000	--	--
3. Small Watersheds authorized by PL-566:					
a. Technical Assistance	62,119	60,133	-6,805	+1,229	54,557
b. Financial Assistance for construction	97,639	90,817	-64,346	--	26,471
c. Loan Services	446	446	-75	+15	386
Subtotal, Watershed Operations	160,204	151,396	-71,226	+1,244	81,414
Total, Watershed and Flood Prevention Operations	194,045	184,596	-89,772	+1,769	96,593
GREAT PLAINS CONSERVATION PROGRAM:					
1. Cost-sharing assistance	12,756	12,151	-5,794	--	6,357
2. Cost-share programming and contract admin.	2,798	2,933	-127	+127	2,933
3. Technical Assistance	5,946	6,231	-271	+271	6,231
Total, Great Plains Conservation Program	21,500	21,315	-6,192	+398	15,521
RESOURCE CONSERVATION AND DEVELOPMENT:					
1. Technical Assistance	15,310	14,728	-14,728	--	--
2. Financial Assistance	10,980	10,850	-10,850	--	--
3. Loan Services	210	166	-166	--	--
Total, Resource Conservation and Development	26,500	25,744	-25,744	--	--
SCS Appropriated Funds	577,044	592,925	-126,053	+7,534	474,406
Trust Funds	1,129	700	-140	--	560
Reimbursements and allocations from other agencies (non-add) 2/	(59,918)	(49,577)	(-7,482)	--	(42,095)
Total, SCS	578,173	$593,625	-$126,193	+$7,534	$474,966
Full-time Equivalent Staff Years	14,028	13,800	-300	--	13,500

1/ Space adjustment: +$675 in Conservation Technical Assistance for direct SCS leasing in lieu of GSA SLUC leasing. Other adjustments are: -$50 for Hugh Hammond Bennett Memorial; -$425 transfer to the USDA Office of Information Resources Management.

2/ Amounts included for the allocation account from the Department of Interior for the Rural Abandoned Mine Program are as follows: 1982-$18,339; 1983-$3,650; 1984-$3,082.

* Assumes passage of pay cost legislation transferring $10,329,000 from Small Watershed Operations, PL-566, to other accounts as follows: CO-Technical Assistance, $8,315,000; Inventory and Monitoring, $115,000; Soil Surveys, $1,189,000; Snow Survey, $54,000; Plant Materials Centers, $79,000; Resource Appraisal, $24,000; River Basin Surveys, $351,000; and Watershed Planning, $202,000.

SCS:bFM:2-4-83

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

TABLE 1

NATIONAL SUMMARY ESTIMATES - CONTRIBUTIONS OF FUNDS AND SERVICES TO
SOIL AND WATER CONSERVATION DISTRICTS PROGRAM
FISCAL YEAR 1982 - (DOLLARS)

STATE	STATE GOVERNMENT	LOCAL GOVERNMENT	OTHER	FEDERAL NON-SCS	TOTAL
ALABAMA	762,000	980,000	702,000	39,000	2,483,000
ALASKA	3,265,900	191,809	148,400	45,000	3,651,109
ARIZONA	295,897	591,351	664,038	230,385	1,781,671
ARKANSAS	3,241,000	1,790,000	4,356,000	135,000	9,522,000
CALIFORNIA	2,338,500	2,806,500	3,448,000	45,000	8,638,000
CARIBBEAN AREA	3,248,749	615,537	1,793,227	0	5,657,513
COLORADO	618,661	633,397	989,355	123,100	2,364,513
CONNECTICUT	291,000	632,860	359,640	0	1,283,500
DELAWARE	1,707,600	354,300	856,000	0	2,917,900
FLORIDA	3,000	37,875	641,000	0	681,875
GEORGIA	1,667,856	3,317,510	1,460,086	1,300	6,446,752
HAWAII	1,122,479	276,802	3,801,264	0	5,200,545
IDAHO	349,832	588,521	1,400,556	10,000	2,348,909
ILLINOIS	2,507,438	3,840,371	2,274,307	1,000	8,623,116
INDIANA	1,165,424	2,644,719	3,776,604	30,850	7,617,597
IOWA	9,690,562	3,746,824	3,379,674	1,750	16,818,810
KANSAS	2,228,686	5,082,857	3,365,585	2,000	10,679,128
KENTUCKY	2,850,153	866,397	1,385,338	5,000	5,106,888
LOUISIANA	4,816,000	2,349,000	3,457,000	90,000	10,712,000
MAINE	239,420	641,929	863,075	0	1,744,424
MARYLAND	1,161,675	1,686,036	847,451	1,000	3,696,162
MASSACHUSETTS	470,500	525,900	386,900	0	1,383,300
MICHIGAN	2,137,000	2,018,477	2,392,051	525,000	7,072,528
MINNESOTA	4,468,387	5,851,428	2,281,488	300	12,601,603
MISSISSIPPI	651,650	1,533,401	1,057,171	0	3,242,222
MISSOURI	2,836,778	1,514,189	4,530,470	20,653	8,902,090
MONTANA	1,781,794	1,614,169	2,666,553	39,500	6,102,016
NEBRASKA	2,572,485	9,673,448	938,894	25,755	13,210,582
NEVADA	99,376	144,074	310,097	982,302	1,535,849
NEW HAMPSHIRE	7,241	81,964	148,480	0	237,685
NEW JERSEY	258,210	1,439,971	224,386	0	1,922,567
NEW MEXICO	476,284	214,328	1,166,985	790,000	2,647,597
NEW YORK	827,603	4,725,624	1,426,380	0	6,979,607
NORTH CAROLINA	3,290,000	6,901,003	1,744,961	6,627	11,942,591
NORTH DAKOTA	259,003	1,177,163	402,145	24,312	1,862,623
OHIO	7,511,200	2,765,389	3,354,419	0	13,631,008
OKLAHOMA	1,397,863	2,462,640	4,717,488	600	8,578,591
OREGON	555,603	891,155	1,334,010	181,900	2,962,668
PENNSYLVANIA	1,217,000	2,894,998	1,443,608	0	5,555,606
RHODE ISLAND	40,465	33,085	32,180	0	105,730
SOUTH CAROLINA	1,680,800	3,893,313	705,071	47,440	6,326,624
SOUTH DAKOTA	288,589	633,971	511,434	80,407	1,514,401
TENNESSEE	885,866	1,057,667	949,131	67,050	2,959,714
TEXAS	2,774,671	4,290,490	5,139,852	32,125	12,237,138
UTAH	208,000	806,300	1,537,600	518,200	3,070,100
VERMONT	112,547	180,452	829,448	2,000	1,124,447
VIRGINIA	1,071,848	980,850	358,972	30,000	2,441,670
WASHINGTON	787,284	809,859	2,012,707	185,000	3,794,850
WEST VIRGINIA	2,226,408	580,909	199,774	0	3,007,091
WISCONSIN	3,328,177	1,969,122	2,455,814	0	9,753,113
WYOMING	289,823	512,655	728,534	85,200	1,616,212
TOTAL:	68,084,287	97,852,589	85,955,603	4,404,756	276,297,235

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

TABLE 2

NATIONAL SUMMARY ESTIMATES - CONTRIBUTIONS OF FUNDS AND SERVICES TO
SOIL AND WATER CONSERVATION DISTRICTS PROGRAM
FISCAL YEAR 1982 - (DOLLARS;

STATE	PROG ASSMNT	CONS PLAN	CONS APPL	SOIL SURVEY	SNOW SURVEY	WATERSHED	RC&D AREA	OTHER	TOTAL
ALABAMA	1,012,000	171,000	479,000	299,00G	0	130,000	345,000	47,000	2,483,000
ALASKA	320,000	268,670	2,523,700	482,739	23,000	0	0	33,000	3,651,109
ARIZONA	170,890	64,262	590,683	232,735	650	627,875	49,996	44,580	1,781,671
ARKANSAS	3,031,000	688,000	2,826,000	137,000	0	1,909,000	827,000	104,000	9,522,000
CALIFORNIA	1,500,000	445,000	2,868,000	691,000	0	2,910,000	104,500	119,500	8,638,000
CARIBBEAN AREA	1,049,266	510,950	3,811,683	0	0	159,464	123,700	2,450	5,657,513
COLORADO	649,959	202,442	1,095,722	167,036	24,109	108,470	32,644	84,131	2,364,513
CONNECTICUT	284,000	68,500	80,700	66,000	0	145,800	638,500	0	1,283,500
DELAWARE	176,600	231,400	1,183,400	0	0	865,100	431,400	30.000	2,917,900
FLORIDA	197,825	116,500	107,500	15,050	0	185,000	60,000	0	681,875
GEORGIA	977,135	656,395	1,972,597	9,720	0	1,525,330	1,059,780	245,795	6,446,752
HAWAII	765,853	81,304	3,197,198	0	0	1,118,600	13,390	24,200	5,200,545
IDAHO	520,421	284,031	606,262	20,550	12,900	193,679	594,636	116,430	2,348,909
ILLINOIS	2,214,659	1,212,879	1,649,632	942,264	0	1,937,734	556,038	109,910	8,623,116
INDIANA	2,088,371	799,273	2,329,717	628,564	0	1,024,669	502,442	244,561	7,617,597
IOWA	4,082,147	497,241	3,899,938	893,454	0	1,396,301	466,301	5,583,428	16,818,810
KANSAS	1,968,451	725,973	1,737,190	13,034	0	5,464,226	582,338	187,916	10,679,128
KENTUCKY	1,037,826	278,834	576,111	223,000	0	739,495	580,826	1,670,796	5,106,888
LOUISIANA	1,821,000	413,000	2,103,000	420,000	0	5,715,000	215,000	25,000	10,712,000
MAINE	275,941	124,305	338,935	103,850	0	223,466	640,027	37,900	1,744,424
MARYLAND	703,770	595,771	1,187,999	9,750	0	314,722	641,260	242,890	3,696,162
MASSACHUSETTS	204,900	41,900	166,200	21,000	0	268,300	640,000	41,000	1,383,300
MICHIGAN	1,615,650	645,404	2,603,576	1,154,941	0	299,402	724,675	28,880	7,072,528
MINNESOTA	1,645,896	1,385,556	3,105,975	1,418,069	0	2,839,844	548,967	1,657,296	12,601,603
MISSISSIPPI	605,453	115,498	786,619	90,630	0	1,280,412	315,859	47,751	3,242,222
MISSOURI	2,714,508	821,621	2,733,372	958,989	0	1,046,583	315,925	311,092	8,902,090
MONTANA	1,123,545	869,092	1,602,764	211,639	28,081	318,109	1,498,267	450,519	6,102,016
NEBRASKA	2,564,820	706,165	4,261,244	575,755	0	3,517,906	1,188,883	395,809	13,210,582
NEVADA	248,082	51,825	144,170	982,302	6,050	30,250	10,650	62,520	1,535,849
NEW HAMPSHIRE	109,212	24,765	78,063	6,650	0	10,656	7,945	394	237,685
NEW JERSEY	465,060	183,421	90,951	23,500	0	290,490	818,145	51,000	1,922,567
NEW MEXICO	502,506	76,036	1,023,879	806,700	5,750	153,700	35,241	43,785	2,647,597
NEW YORK	1,275,841	1,087,806	2,714,233	301,190	0	977,347	364,868	258,322	6,979,607
NORTH CAROLINA	1,734,182	426,006	1,168,688	860,881	0	6,337,058	1,091,804	323,972	11,942,591
NORTH DAKOTA	598,442	125,532	402,066	184,547	0	471,581	61,482	18,973	1,862,623
OHIO	2,819,064	1,944,378	2,585,594	1,067,051	0	625,179	1,409,742	3,180,000	13,631,008
OKLAHOMA	1,568,488	477,635	3,961,698	79,307	0	1,501,106	274,793	715,564	8,578,591
OREGON	477,996	257,012	1,142,761	231,339	25,800	166,223	40,460	621,077	2,962,668
PENNSYLVANIA	2,772,050	873,824	721,868	35,250	0	719,403	219,931	213,280	5,555,606
RHODE ISLAND	41,275	17,270	17,605	3,000	0	5,850	20,730	0	105,730
SOUTH CAROLINA	985,442	290,857	636,970	163,740	0	3,510,580	216,000	523,035	6,376,624
SOUTH DAKOTA	502,506	101,001	351,707	276,433	0	5,450	72,198	205,106	1,514,401
TENNESSEE	875,070	262,502	756,730	260,200	0	502,824	246,255	56,133	2,959,714
TEXAS	3,115,801	2,004,835	3,602,336	241,526	0	2,055,239	876,394	341,007	12,237,138
UTAH	521,000	369,000	945,000	623,200	13,900	242,000	282,000	74,000	3,070,100
VERMONT	108,707	24,355	711,676	12,400	0	154,569	76,230	36,510	1,124,447
VIRGINIA	551,456	158,295	255,193	264,431	0	493,259	646,050	72,986	2,441,670
WASHINGTON	442,130	239,892	2,686,110	188,000	1,400	12,913	198,277	26,128	3,794,850
WEST VIRGINIA	338,426	420,865	219,183	23,000	0	1,771,367	215,620	18,630	3,007,091
WISCONSIN	1,980,959	894,055	2,612,001	586,322	0	325,918	110,467	3,243,391	9,753,113
WYOMING	319,553	111,201	554,753	103,690	9,040	222,150	283,815	12,010	1,616,212
TOTAL:	57,675,134	23,443,334	77,807,952	17,110,428	150,680	56,849,599	21,276,451	21,983,657	276,297,235

BIOGRAPHICAL SKETCH

PETER C. MYERS

Peter C. Myers became Chief of the Soil Conservation Service, U. S. Department of Agriculture, on April 5, 1982. He is the seventh person to head the 47-year old agency.

A farmer with 1,100 acres near Matthews, Missouri, in the southeastern "Bootheel" area of the State, Myers raises row crops and manages a confinement "farrow-to-finish" hog operation. In 1981, he was appointed by the Governor to the four-member Missouri Conservation Commission.

Myers was born January 4, 1931, in Racine, Wisconsin. He attended the University of Wisconsin, graduating in 1953 with a B.S. degree in agriculture. Later he took graduate courses in agronomy and land forming from the University of Missouri.

From 1953 to 1955, he served as a 1st Lieutenant in the Army Ordnance Corps. After his discharge, he farmed near Matthews, Missouri, acquiring his present farm in New Madrid County in 1968. He is a long-time cooperator with his local soil and water conservation district. He has practiced conservation tillage for the past 10 years. Myers considers soil erosion to be "America's number one long-term resource problem."

An active joiner, Myers recently served in Missouri on the Governor's Task Force on Soil Conservation and the Governor's Advisory Council on Agriculture. He was vice president of the Missouri Pork Producers Association and a former member of the board of the Missouri Farm Bureau. He also belongs to the American Soybean Association, Missouri Cattlemen's Association, and Soil Conservation Society of America. He also has been active in the Little League, 4-H, and his church.

Myers and his wife Mary have five children ranging in age from 13 to 26. They live at 4034 Ellicott Street, Alexandria, Virginia 22304.

TARGETING TO HELP REDUCE SPENDING

Mr. MYERS. Yes, sir, I have a prepared statement for the record, but I would like to offer some comments.

I would like to say I appreciate being here today for the first time.

Senator COCHRAN. We are glad you are here.

Mr. MYERS. In the 11 months I have been in Washington, I have seen the appreciation all the committee members have for soil and water conservation. As Mr. Crowell mentioned, we do have serious problems in the country, and a lot of the critical erosion we are seeing occurs on 41 million acres of our cropland, which is only about 10 percent of the total cropland. We have, however, a need to reduce Federal spending. We recognize this, and we think we have proposed effective ways to address both problems.

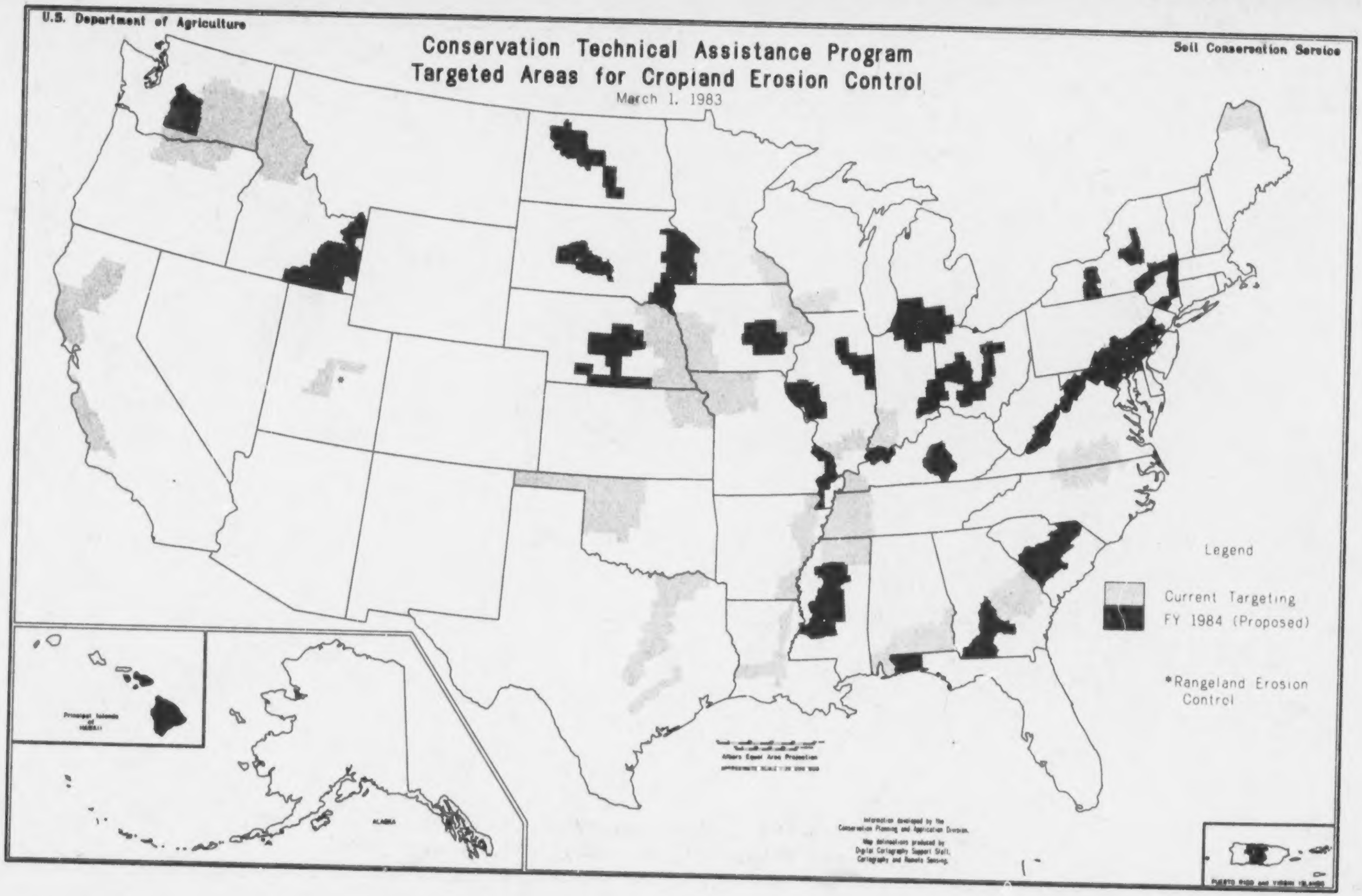
As he also mentioned, targeting is one of our key policies. We began targeting in fiscal year 1981 at a $4 million level. The proposed 1984 level would provide $26 million with $7.8 million of this being new money.

For 1984, we will target accelerated technical assistance to about 800 counties in 44 States. All of these targeted areas were proposed by the States; they weren't generated here in Washington. We have analyzed their requests which are based on the critical need in a particular area.

I do want to emphasize that while we are targeting in these certain areas of the country, we are not going to erode our base program of support all over the country for those areas that are not targeted. We will continue to provide technical assistance in all 3,000 conservation districts and to work with the landowners in all of our rural counties.

We will provide three charts for the record that show the locations of the targeted areas. One map shows the targeted areas now in effect and proposed for 1984 for cropland erosion control. The second map shows the targeted areas for water conservation. It shows that we are attacking the problems where the problems exist. We propose to concentrate extra people in these areas. The third chart is a graph which shows actual accomplishments in the targeted areas for 1981 and 1982. This indicates that we are effectively attacking the problems. We have increased the soil saved in these targeted areas by 3.5 million tons over what we would have done without targeting. We have saved about 130,000 acre-feet of water in the water conservation targeted areas. This is just for the first 12 months of targeting. We believe, therefore, that this is a very effective way to spend Federal money and to increase conservation accomplishments.

[The charts follow:]



U.S. Department of Agriculture

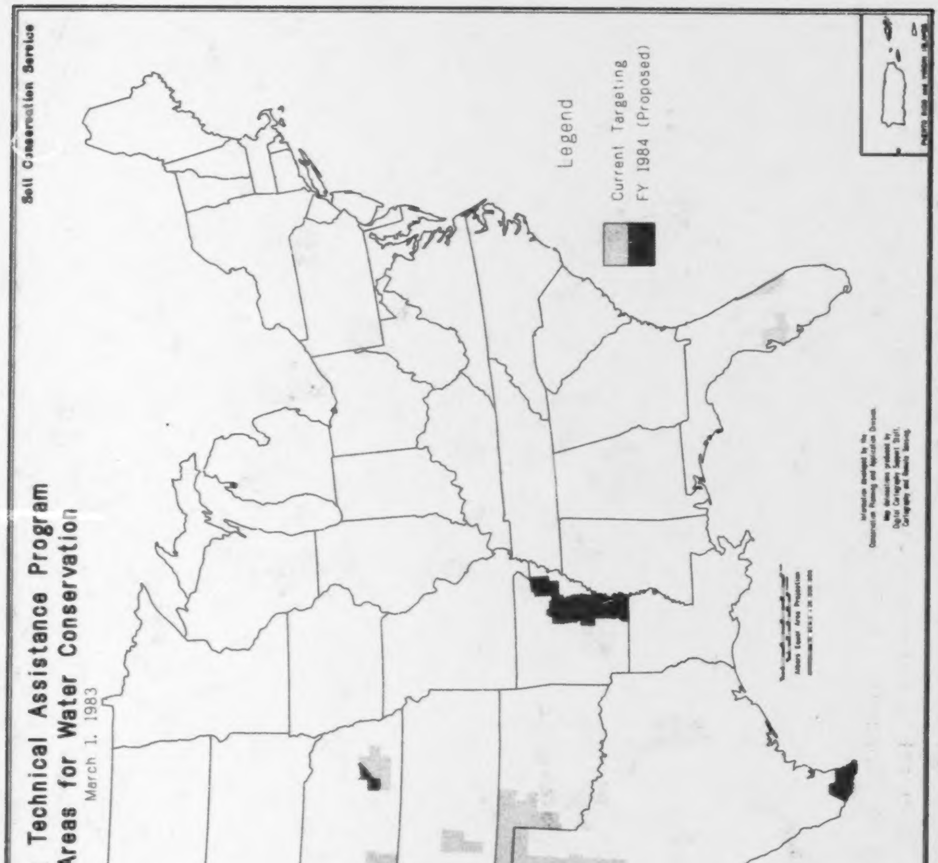
Soil Conservation Service

Conservation Technical Assistance Program
Targeted Areas for Cropland Erosion Control
March 1, 1983

Legend
Current Targeting
FY 1984 (Proposed)
*Rangeland Erosion Control
Principal Islands of HAWAII
ALASKA
PUERTO RICO and VIRGIN ISLANDS
Albers Equal Area Projection

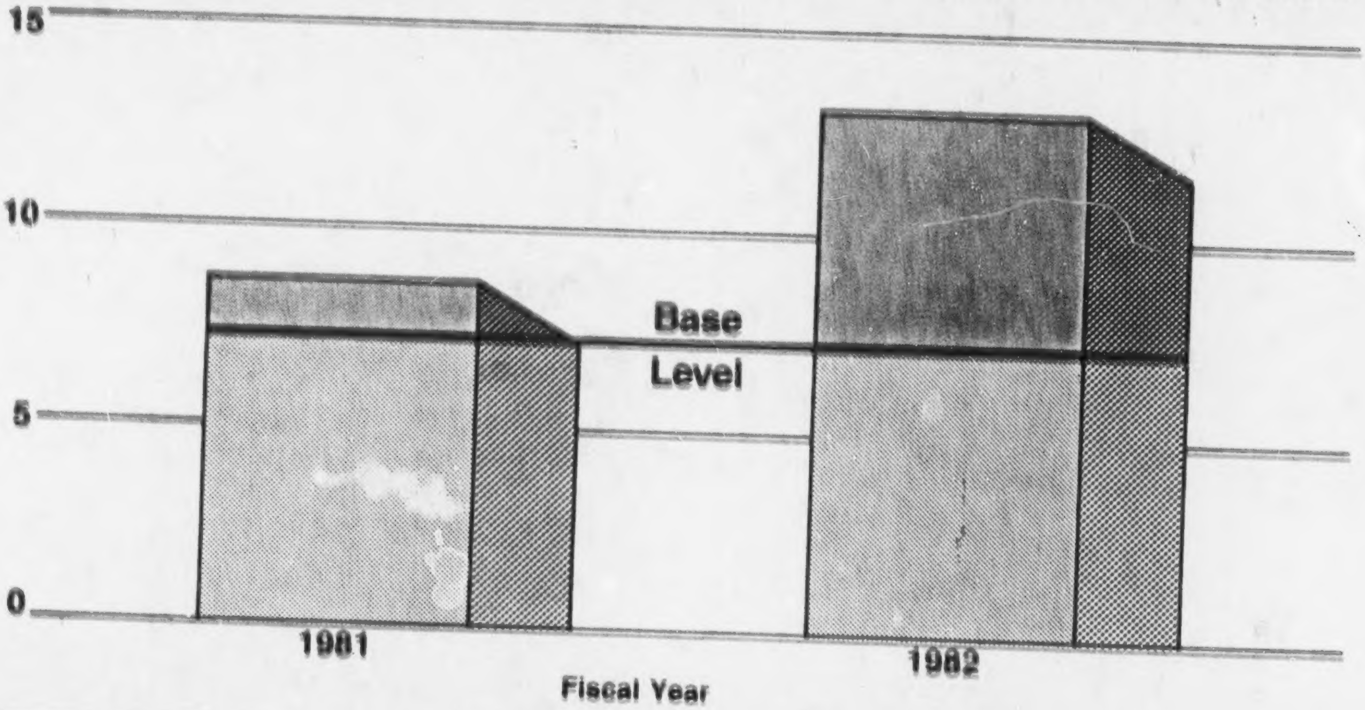
Information developed by the Conservation Planning and Application Division.

Map delineations produced by Digital Cartography Support Staff, Cartography and Remote Sensing.


U.S. Department of Agriculture
Soil Conservation Service
Conservation Technical Assistance Program
Targeted Areas for Water Conservation
March 1, 1983
Legend
Current Targeting
FY 1984 (Proposed)
Albers Equal Area Projection
Information developed by the Conservation Planning and Application Division.
Map digitization produced by Digital Cartographic Support Staff, Cartography and Remote Sensing.
Alaska
Principal Islands of Hawaii
Puerto Rico and Virgin Islands

SCS-ASCS Targeted Areas

Millions of Tons of Cropland Erosion Reduced



BUDGET REQUEST

Mr. MYERS. As you are aware, our total SCS budget request for fiscal 1984 is $474 million, which is a decrease of $119 million from the 1983 appropriations. Most of this decrease is in the watersheds program and RC&D. We have asked for a slight increase in conservation technical assistance to work directly with the farmers and landowners. This is where we feel we can accomplish the most. You are aware of the other budget figures.

Mr. Crowell mentioned the Colorado River salinity control program. We think it is important that the funding be handled by one agency, which is ASCS. We will do the technical assistance for this program. I have been in this area recently. The onfarm work is recognized by all the involved Federal agencies as the most cost-effective means of controlling the salinity problem.

In summary, I would also like to mention that we are getting increased contributions of funds and services for conservation work from State and local governments. I think this is important. The States are recognizing that the soil and water are also their resources, and they are contributing their own dollars, along with the Federal dollars, to protect their own resources. These contributions total $272 million for 1982 compared to $262 million for 1981, and are from both State and local sources. This is not insignificant.

The SCS budget proposal will contribute to helping the economy of the country by reducing in those areas where we think we can delay work for a year or two until we get a handle on the Federal budget. We will, as I said, maintain our strong basic field delivery system at all times.

That is all. If there are any questions, I will be glad to respond.

Senator COCHRAN. Thank you, Mr. Myers.

I think we will move on to the proposed budget for ASCS. Mr. Ahalt, Mr. Rank, you may proceed.

ASCS BUDGET

Mr. RANK. Mr. Chairman, I ask that the statements that have been submitted for Mr. Ahalt and myself be entered into the record, and I will be pleased to answer any questions the committee has.

[The statements follow:]

STATEMENT OF J. DAWSON AHALT

Mr. Chairman, Members of the Committee, thank you for this opportunity to appear before you to discuss the domestic portion of the International Affairs and Commodity Programs area. Alan Tracy will be here later this morning to discuss international issues.

With me today is Everett Rank, the Administrator of the Agricultural Stabilization and Conservation Service. Mr. Rank served in the U.S. Navy during World War II, and he is a lifelong farmer. He has been active in numerous agricultural businesses and organizations, and, prior to being named Administrator, had spent more than 15 years as an official in various other capacities within ASCS.

Domestic Developments

In 1982, U.S. farmers once again harvested bumper crops. Generally good weather boosted yields.

To help absorb the large crops, the farmer-owned reserve was once again opened for immediate entry of the 1982 wheat and corn crops. But there is a limit to the effectiveness of a reserve in taking grain off the market. If reserve stocks become too large, they overhang the market and they become costly to maintain. That is exactly what has happened this year. As of February 23, 1983, the farmer-owned reserve held 2.6 billion bushels of corn -- nearly a third of a year's production. Wheat in the reserve was over 1.1 billion bushels, over one-third of the year's production. When added to CCC-owned stocks and commercial inventories, the year-end projected stocks are overwhelming.

These burdensome stocks have driven down prices and, as a result, have caused CCC outlays to increase to record levels. CCC outlays were $11.6 billion in fiscal year 1982, and are estimated at $18.9 billion this year, without further action. The need for a bold new program was compelling.

Therefore, the President announced on January 11 that a payment-in-kind program would be made available for the 1983 crops of corn, grain sorghum, wheat, rice and cotton. Such a program will set the stage for restoring prosperity in agriculture. The PIK program is additional to the previously-announced 1983 acreage reduction and land diversion programs. Producers who participate in the ARP and LDP may contract to remove an additional 10 to 30 percent of their base acreage from production. In return, we will pay them in commodities -- 95 percent of the farm yield on wheat and 80 percent of the farm yield for the other commodities. A producer also has the option of offering to take his whole base out of production under a bid system. We will determine on March 18 whether or not any whole-base bids will be accepted. However, in no event will more than 50 percent of the acreage base be taken out of production in any one county.

What will this PIK plan accomplish? First, it will reduce burdensome stocks by substituting them for 1983 production. Second, it will firm up prices by reducing production and stocks, and it should improve net farm income. Third, it will save federal outlays for the price support and related programs of the CCC. Outlay savings are estimated at $0.6 billion in FY 1983 and $2.7 billion in FY 1984, compared to a continuation of past years' policies. Fourth, it will place the farm sector in a more favorable position as economic recovery increases product demand.

ASCS Budget

Mr. Rank will provide the details of the budget request for ASCS, but I would like to make a few general comments.

The Agricultural Stabilization and Conservation Service encourages conservation of resources through cost-sharing programs. In FY 1984, we are proposing to combine all ASCS cost-share programs, except for Colorado River Basin salinity control, under the Agricultural Conservation Program umbrella. Program consolidation will provide State and county ASCS offices with greater flexibility in targeting limited funds to the most critical needs.

We are proposing to establish a separate program for Colorado River salinity control.

Finally, we are requesting an urgent supplemental for CCC in FY 1983. In recent weeks, as much as $300 million per day has been expended to support American farmers through commodity loans and direct payments. Despite the $10.5 billion already appropriated for CCC this year, CCC will need additional funds to continue operation.

Mr. Chairman, I appreciate the opportunity to speak to you today. We are continuing to make progress in restoring the health of the economy, of which agriculture is a keystone. However, we cannot advance farther without the able assistance of this Committee. We look forward to working with you during the coming year.

STATEMENT OF EVERETT RANK

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to present the proposed fiscal year 1984 Budget for the Agricultural Stabilization and Conservation Service. I would like to spend a few minutes with you today to address the need for an expanded initiative in the Colorado River Basin, outline our conservation proposal and discuss the new direction of the commodity support programs.

Salinity Control

For FY 1984, we are proposing a single appropriation of $12.6 million in the ASCS budget to consolidate USDA funding for the Colorado River Basin Salinity Control Program. The Administration is proposing legislation to amend Title II of the Colorado River Basin Salinity Control Act to authorize separate funding for a USDA salinity control program.

In 1978, the Congress wisely recognized the need to address the continuing problem of salt loading of the Colorado River. The Department of Agriculture was requested to use $1.772 million to begin cost-sharing an on-farm salinity control program in the Grand Valley in Colorado. In fiscal 1980 it was requested that up to $4 million be used to continue this project and expand the effort to the Uinta Basin project in Utah.

This is the fifth year of ASCS involvement in on-farm salinity control. We have used Agricultural Conservation Program funds for cost-sharing. The Soil Conservation Service has used River Basin Survey and Investigation funds for planning and Conservation Operations funds for technical assistance. During this period, we have learned a great deal and have come to the following conclusions:

First, the problem of salt loading of the Colorado River is one of international, national and regional concern. The salt load as monitored at Imperial Dam is about 10 million tons per year. The national and international objectives are to remove 2.8 million of these tons per year. Agricultural irrigation on approximately 1 million acres of cropland is responsible for 11 percent of the total salt load, or 1.1 million tons. Each ton of salt in the river represents an economic loss to downstream users of $590 per ton per year.

Second, both USDA and Interior Department studies show that USDA on-farm irrigation improvements are generally more cost-effective than structural measures requiring large capital investments. Anticipated economic benefits to downstream users exceed USDA's cost by about $90 per ton of salt removed. We believe, therefore, that the overall cost-effectiveness of salinity control can be improved by accelerated use of on-farm measures.

Third, if the clean-up of the salt problem is to progress in a meaningful way on a reasonable schedule, a new source of funding must be found. We do not believe that it is feasible to divert this funding from the ACP and the SCS Conservation Operations. Also, the use of ACP authorities for cost-sharing is not the most efficient means of administration. The $3,500 cost-share limitation and the prohibition against using ACP funds for cost-sharing with Irrigation Districts, companies and individuals who are not agricultural producers are major impediments to the program. Program operation would be enhanced by new legislation such as we are proposing or, in the absence of such action, adoption of the appropriation language we have suggested.

Fourth, funding the USDA salinity program through one line item will ensure coordination of cost-sharing, technical assistance, and the education activities of the Extension Service. The success of the salinity program depends upon all three elements in proper proportion. Currently, the Extension Service has no source of funds for this activity.

For FY 1984, our $12.6 million request consists of $4.8 million each to continue the Uinta and Grand Valley projects; $1.4 million each to begin the Moapa and Virgin Valley projects in Nevada and Arizona; and $150 thousand to complete planning studies for the Price-San Rafael, Mancos Valley, and Palo Verde projects.

Of the $12.6 million total, $10 million is for ASCS cost-sharing; $2.4 million for SCS planning, technical assistance, and monitoring and evaluation; and $200 thousand for Extension Services' education activities.

Mr. Chairman, Members of the Subcommittee, I recognize that it is unusual in these austere budget times to recommend a new program. In reality, however, this is largely a continuation of current activities but in a more efficient manner. We are confident that, viewed in the context of the total Federal involvement in Colorado River salinity control, this modest program will prove to be a sound investment of tax dollars.

Agricultural Conservation Program

For FY 1984 we are again proposing a consolidated conservation cost-share program to carry out the objectives of the Agricultural Conservation Program, Emergency Conservation Program, Forestry Incentives Program, and Water Bank Program. The consolidated ACP would operate under existing legislative authorities as proposed for FY 1983.

The payment limitation for annual agreements will not change. To allow more timely installation of practices by farmers and to simplify technical assistance and contracting, we are proposing that long-term agreements be exempted from the annual payment limitation, and that the Secretary establish a contract limitation for long-term agreements similar to that used under the Great Plains Conservation Program. Cost-share rates will be maintained at current levels, except in counties participating in the experimental variable cost-share program. Current technical assistance rates will not change.

At the national level we will issue one allocation to each State based upon current formulas for soil and water conservation, forestry incentives, and wetlands protection. Each State will receive its proportionate share of funds according to established resource needs and will have complete flexibility in allocating funds to counties. Future year allocations could be adjusted based on evidence of higher priority conservation benefits targeted to specific areas and on better historical data on practice utilization by county committees.

County committees will receive a single allocation from the State committee, along with a listing of practices available for cost-share. This list will include soil and water conservation and pollution abatement practices for all States, plus water bank practices for those States and counties traditionally in the Water Bank Program, and forestry incentive practices for States and counties traditionally in the Forestry Incentives Program.

We will continue to seek maximum input from State and county committees in establishing the list of practices, which may be supplemented to include "special" conservation practices they may recommend to solve high priority local problems.

Our State and county committees are best able to assess conditions in their own locales. By allowing these committees maximum flexibility to determine how conservation funds will be spent, we will encourage better matching of cost-share funds to local needs. The committees will have complete flexibility to identify conservation problems, prioritize applications for assistance, and target funds to the most critical needs. They will also have authority to use long-term agreements.

Under this type of cost-share program, we believe we can make the best use of the available tools to increase conservation benefits at a reduced cost to the Government.

This past year we developed in concert with other USDA agencies the Comprehensive Reporting and Evaluation System, which provides computerized and uniform methods of reporting and evaluation. Based on the knowledge gained from the evaluation of the ACP since 1977, the system enables SCS technicians and county ASC committees to evaluate the cost-effectiveness of a given practice on a particular site. Nearly one-half of all counties in the country are now using the system for ACP, and we expect to expand the system during FY 1984.

Under last year's ACP we also initiated a pilot program to test the feasibility of varying the cost-share level for erosion control practices according to the amount and relative value of soil saved. The Universal Soil Loss Equation is used to determine the gross soil loss before the installation of a practice or system of practices and the reduction of soil loss projected following installation. The greater the original soil loss and the closer the practice brings the soil loss to an acceptable level, the higher the cost-share.

While fully recognizing and acknowledging the need for a continued strong and vigorous Agricultural Conservation Program, we also acknowledge the demands of many other deserving programs and the need for constraint in the Federal Budget. With the level of funding we are requesting in fiscal year 1984, the consolidated conservation program will best enable our agency to accomplish our goal of more conservation per dollar.

Commodity Credit Corporation

Our fiscal year 1984 budget requests an appropriation of $10.4 billion to reimburse the Corporation for projected FY 1984 net realized losses. The Budget also includes an FY 1983 urgent supplemental request of $5.7 billion for FY 1983 losses not yet reimbursed in FY 1983.

The Budget reflects the announced payment-in-kind (PIK) program that is being offered to producers who participate in the 1983 crop acreage reduction and land diversion programs for wheat, corn, grain sorghum, rice, and upland cotton.

Legislation is proposed to make the honey price support program discretionary, hold minimum target prices at their 1983 levels, and expand the commodities in CCC inventory eligible for export donation. We are also requesting authority to modify the ELS cotton price support mechanism and eliminate the ELS cotton allotment and quota systems.

Based on implementation of the PIK program and enactment of the proposed legislation, CCC net outlays are estimated to be $18.3 billion in FY 1983 and $9.3 billion in FY 1984. Compared to a continuation of current program activities, the net outlay savings from proposed legislative and program changes are estimated to be $.6 billion in FY 1983 and $3.1 billion in FY 1984.

We urgently need the help of the Congress in providing adequate funding this fiscal year so that CCC can continue to carry out its responsibilities. Therefore, we are urgently requesting a supplemental appropriation of $5.7 billion for fiscal year 1983 to further restore losses anticipated this year. Such action will ensure that CCC will be able to continue its price support activities.

The National Wool Act also is administered through CCC, and the Budget reflects an estimate for outlays of $89 million in FY 1984, compared to the estimate of $87.7 million for fiscal year 1983. This estimated increase over 1983 is primarily the result of higher annual support levels required by the Agriculture and Food Act of 1981.

Administrative Support

The ASCS Salaries and Expenses account is used to fund administrative support for ASCS and CCC programs. The 1984 Budget request of $360.2 million includes $52 million in direct appropriation and $308.2 million in transfers from CCC.

Mr. Chairman, this concludes my prepared statement. I will be glad to answer any questions you may have.

CONSERVATION BUDGETS RELATED TO RCA

Senator **Cochran**. That is short and sweet. That will move us right along here.

The other day, we had an opportunity to discuss a lot of these issues at the hearing that was chaired by Senator Jepsen of the Agriculture Committee. I was there for a short period of time and talked about some of the concerns that I had about the report that had been completed and filed in response to the provisions of the Resource Conservation Act. It seems to me that that report clearly indicated a need for funding of conservation activities at a higher level than is being requested in your presentation to the committee this morning. It is hard for me to understand how a report can be compiled with a low-bound, as it is called, funding level identified as what is perceived by me as a minimum amount necessary to do the job, and then for you to come in with a budget request that is significantly lower than the low-bound funding level. Is there any good explanation for that except that you are being sabotaged by the OMB?

Mr. **Crowell**. There is more explanation for it than that, Mr. Chairman. It is true, of course, that the presidential statement does recognize that there are some serious problems of soil erosion and water conservation that we need to address. However, the presidential statement is also very clear in pointing out that funding is going to have to be related each year to other budgetary requirements of the Federal Government.

The actual request in the 1984 budget is only very slightly—about 6 percent—below the low-bound funding level. As both Mr. Myers and I have indicated in our prepared statements, the areas where the reductions are proposed are in those which are less critical. We are concentrating on, and, as a matter of fact, increasing the request in the budget for conservation technical assistance, which we regard as being the very core of the Soil Conservation Service program. It is that technical assistance which, when made available to farmers, enables them to put into practice on their lands those techniques which are best adapted to preventing erosion. That technical assistance combined with our targeting efforts, is going to show some significant improvements in the accomplishments of the Soil Conservation Service. We think we can have better erosion protection and better water conservation even in times of reduced budgets.

CONSERVATION ASPECTS OF PIK

Senator COCHRAN. I think, too, it is probably fair to say that the PIK program, if we do get a substantial participation, is going to do about as much for soil conservation as a lot of the programs that we have on the books and that we are asking funding for today. Would you agree with that?

Mr. CROWELL. I would agree, sir. The Secretary made the point last week before Senator Jepsen's committee, that conservation tillage has grown remarkably in the last 10 or 12 years. We now have over 100 million acres of cropland under conservation tillage, almost 25 percent of the Nation's cropland. That is a very effective method of reducing soil erosion, and also very cost effective for the farmer.

CONSERVATION PIK

Senator COCHRAN. Is there any plan to implement a conservation PIK program? We discussed that briefly at the hearings the other day. I had written a letter back in January to the Secretary suggesting that this might be an opportunity to encourage even more conservation by developing a payment-in-kind exchange with a farmer. Since farmers are strapped, they don't have much cash money to invest in soil conservation practices. Perhaps if the Government gave them an incentive to do more on conservation, this would pay a lot bigger dividend in comparison to the cost to the Government of implementing such a program.

Mr. CROWELL. We are looking at that possibility. As a matter of fact, most of the people here at the table in front of you this morning have been involved in trying to develop a proposal of that sort. It has, understandably, come along behind the main payment-in-kind program which, as you know, has been developed and put in place under considerable urgency over the last few months. There just has not been the time to develop a similar program for conservation. But one is currently being developed for review by the Secretary, who, incidentally, is quite supportive of the concept.

PARTICIPATION IN PIK PROGRAM

Senator COCHRAN. When will we know how many acres have been taken out of production by participation in the PIK program? The signup date ended on March 11.

Mr. AHALT. Mr. Chairman, on Friday of this week, the county offices will open up the whole-base bids, and farmers will be notified of the number of whole-base bids that have been accepted. Then on Tuesday afternoon, March 22, at 3 o'clock, after the commodity exchanges have closed, we will announce the amount of signup by the various commodities.

Senator COCHRAN. Are these whole-base bids that have been submitted locally, reviewed at the local level, or do they end up coming up here for review? Where is that decision going to be made?

Mr. AHALT. Mr. Chairman, those decisions will be made in each of the more than 2,800 ASCS county offices throughout the country. It will be done in an open display, so the farmers can come in and observe the process right on site.

WORKLOAD RELATED TO PIK PROGRAM

Senator COCHRAN. Well, this has required an awful lot of additional work out of your offices this year, hasn't it, Mr. Rank? Have you been able to cope?

Mr. RANK. It certainly has, Senator. We are really grateful to our county office folks and the agencies that have assisted in this. Our county office employees have been working 7 days a week, extra hours each day. Earlier, we gave them guidance to use all the resources they needed to get the job done. We have had very few complaints from farmers saying they have not been served adequately or promptly.

Senator COCHRAN. Will there be any added cost reflected in a supplemental request submitted to Congress because of the additional work—overtime or the like—that had to go into this effort?

Mr. RANK. Mr. Chairman, we may come back to request a supplemental appropriation if it is needed. We won't know that until we complete the final signup activities and calculate the workload that was required.

DAIRY INDEMNITY PROGRAM

Senator COCHRAN. My notes reminded me to check on the status of the dairy indemnity program problem in Hawaii. Does that come under your jurisdiction?

Mr. RANK. Yes, it does, Mr. Chairman.

Senator COCHRAN. I know you sent up a deferral request of $7 million that our committee rejected the other day. What is the status of those claims from Hawaiian dairy farmers? They had some damage to the milk supply because of a chemical called heptachlor.

Mr. RANK. Mr. Chairman, we have asked the Hawaiian claimants to update and resubmit their applications. The updates should be in here this week or next, at which time we will confirm the total amount of their request. We anticipate that sometime in April we will start making payments on the 1982 losses that were suffered in Hawaii.

Senator COCHRAN. As I understand it, if a farmer is able to collect in damages from a supplier or someone up the chain who may have been proven negligent, then any amount recovered is going to be used to reimburse the Government first; is that right? Anything left over, the farmer can keep. Is that the way that works?

Mr. RANK. That is correct, Mr. Chairman. One of our concerns has been that if the Government made indemnity payments to the farmers, they would not proceed with the lawsuits that have been filed in Hawaii.

Senator COCHRAN. Let me ask you this. Under the law, is it OK for the Government to be subrogated to the claims of those farmers so that you could proceed then in their stead, if they decided not to, against any party who might have been negligent to collect that reimbursement in their name?

Mr. RANK. We will be happy to get that response.

Senator COCHRAN. I think the legal office might be able to provide an answer to that. But my notion is that that ought not be a reason for not responding to a lawful claim submitted by those who are entitled to indemnity. I think the Government could then proceed to collect from anyone who might have been negligent. If that isn't the law, it ought to be. This would be interesting to know.

As we go through that process of paying claims, I would like to be kept up-to-date on the numbers of claims filed and paid and how that $7 million is being used. We don't want someone to get a windfall that they are not entitled to under the law and undermine the intent of the act. It did seem to the committee, however, after reviewing that request for funds, that it was a necessary and legitimate reason for providing the money.

Mr. RANK. We will keep the committee aware of progress, Senator.

[The information follows:]

DAIRY INDEMNITY CLAIMS

Sixteen dairies received payment in early May 1983 for approved dairy indemnity program claims totaling $6.1 million. These dairies also received letters from the Honolulu County ASCS Office advising them that they are required by program regulations to refund to ASCS the amount of their payment in the event of other compensation for the same loss.

The USDA Office of General Counsel has referred to the Department of Justice, Civil Division, the question of the legality of USDA litigation in behalf of dairy producers against parties who may be responsible for the contamination of the dairies' milk.

ASCS FUNDING LEVEL

Senator COCHRAN. As I mentioned in my statement at the outset, I am generally concerned about the level of funding of these conservation programs. We are going to be reviewing this request very carefully. I would hate to see us stop providing assistance to landowners and those at the local level who have some very serious and very real problems in the area of land and water conservation. It may be that there can be some reductions in these areas, but I think we need to be very, very cautious about making the size reductions that are being requested.

For instance, this combining of the ACP, forestry incentives program, and the water bank program into a new conservation program is being requested again, and that is basically something that has to be approved legislatively first. I suppose the Agriculture Committee would have to approve that by simply changing the law and converting those programs into a new program. If they don't, I guess it is up to this subcommittee to decide what to recommend as far as the funding level for each of these programs. The forestry incentives program is a very popular program in the Southeastern part of the United States, and we have been funding that at a very minimal level. As a matter of fact, we had to fight on the floor to maintain the level of funding, and we ended up having to accept an amendment increasing the funding level to $12 million. I know if we go to the floor with the recommendation there be no money in it, we are going to have trouble convincing the Senate that that is the thing to do. I think it is inevitable that we are going to have an amendment to add money if we recommend no funding.

Is there anything that you can tell me that I can use as an argument on why we could do without the forestry incentives program?

Mr. RANK. Mr. Chairman, in the consolidation of our programs, there is no intent to do away with the ACP, forestry incentives program, water bank program, or emergency conservation program. What the consolidation does is combine these programs into one line item. The farmer can sign up for any practice currently available under any of the four programs. We believe it is appropriate for the States and counties to assess local conservation priorities and determine which practices they want to place their money in. The consolidation is a distinct concept independent from the budget reduction.

Senator COCHRAN. Yes; but the total amount available for all of those programs is going to be substantially reduced; $56 million would be made available instead of over $200 million. The forestry incentives program was about 10 percent of the $200 million. I am just guessing that it would disappear.

FORESTRY INCENTIVES PROGRAM

Mr. CROWELL. Mr. Chairman, if I might comment on that. As you know, one of my areas of responsibility is the Forest Service, as well as the Soil Conservation Service. We realize that the forestry incentives program has been a popular one in the South, but I think it also should be recognized that forestry investments have become increasingly attractive to landowners in recent years. That is because stumpage rates have gradually gone up. Several studies conducted both by the Forest Service and by the forest products industry have indicated that there can be a good return on forestry investments. Consequently, when that is the case, it seems to us inappropriate for Federal moneys to be spent when private money can be expected to be attracted to investments that do provide reasonable returns. We think that the forestry incentives program is a luxury item, if you will, in these times of budget constraints. We don't think a reduction in funds available for this program is going to inhibit forestry practices. In fact, we think it may remove an inhibition in some cases, because it is natural for people to defer making their own investments if they think they can qualify for a supplemental payment from the Government. That is unfortunate, because as time is lost, opportunity is lost.

Senator COCHRAN. Is there a backlog of applications for financial assistance in that program?

Mr. RANK. I don't have the figures at my fingertips, but I could supply them for the record.

Senator COCHRAN. I am curious to know how many people have come in and asked for assistance and have been denied simply because of the lack of funding.

Mr. RANK. My impression is that it is substantial, but that is only an impression, and we better get confirmation of that for the record.

[The information follows:]

APPLICATIONS FOR FORESTRY INCENTIVES PROGRAM

As of February 28, 1983, the amount of forestry incentives program applications filed in county ASCS offices exceeded available funds by $23 million.

WATER BANK PROGRAM

Senator COCHRAN. The water bank program is a program that is more popular up in Senator Burdick's area—the Dakotas and up in that area. I know that if we approve this reduction in funding for these three programs, the water bank program is necessarily going to come in for a pretty deep cut. How do we justify that? Is this something where the Government can simply withdraw its financial support and have local interests take up the slack?

Mr. RANK. Mr. Chairman, an advantage of the consolidated program in the face of budget cuts is that we would send each State a single allocation for conservation, and they then would determine how they would like their money spent. They can put all their money into the water bank program in North Dakota if that is the No. 1 priority. So, the reduced funding would mean a reduced level overall, but the States could direct available funds to the practices that address the greatest local needs.

ALLOCATION OF ACP FUNDS

Senator COCHRAN. Well, if you divide the $56 million which is being requested by 50—if every State got an equal amount—you would get a little over $1 million for each State. What kind of formula is being proposed for that allocation?

Mr. RANK. The allocation formula would be similar to this year's except each State would be reduced proportionally. One percent prorated is the maximum we would reduce any State from this year's level.

RECOGNITION OF SENATOR BURDICK

Senator COCHRAN. Senator Burdick, we are glad to have you here this morning. We are talking with the Soil Conservation Service Chief and others about the conservation budget. I would be happy to defer to you for any questions you might have.

REDUCTION IN ASCS CONSERVATION PROGRAMS

Senator Burdick. Thank you, Mr. Chairman.

I understand that the $56 million is going to take care of the three programs you have blocked together.

Mr. RANK. Yes, Senator Burdick, the consolidated program would include the ACP, the forestry incentives program, and the water bank program; the $56 million also would include $3 million earmarked at the national level for emergency conservation practices and allocated as needed.

Senator BURDICK. Well, when they were appropriated for separately, what was the total of those three programs?

Mr. RANK. Last year, it was $190 million for the ACP.

Senator BURDICK. As I understand, the staff has just handed me some notes, the ACP, FIP, and water bank programs come to over $200 million.

Mr. RANK. Yes, sir, ACP, FIP, and water bank total $211.3 million.

Senator BURDICK. And now it is going to be in one program, and the figure we are talking about is $56 million?

Mr. RANK. That is correct.

Senator BURDICK. That is a very, very substantial cut in the three programs, isn't it? It is almost cutting it 75 percent. Is that justifiable?

Mr. RANK. Senator Burdick, I was explaining earlier the reasons we feel we should take a reduction in the ACP and the other conservation programs in ASCS. In terms of the total President's budget, this is one area we think we can temporarily reduce without serious, long-term effect on conservation out in the country.

Mr. CROWELL. Senator, if I might make the point that in these times of low prices for farm products, we are providing very significant price-support programs for the farm community. We have, in effect, shifted some of the Federal resources that are devoted to agricultural activities to the price-support program. I think we are going to be looking at some record levels for payments to farmers in 1983 and 1984. In putting the Department's budget together, we do have to take into account the overall funding needs for all agricultural programs. It is true that this program does have to be reduced, but that is in the face of substantial increases in other programs. Of course, you know better than we do that the problem of putting together a national budget magnifies the difficulties in making choices and selecting priorities many, many times.

Senator BURDICK. I know, but this looks very drastic to me. You go from $200 million down to $56 million.

Mr. CROWELL. Yes, sir, there is no denying it is drastic.

Senator BURDICK. Conservation is something that is an ongoing function to save the soil and land of our country. You just can't go in fits and starts; you have to keep this going continually.

Mr. CROWELL. Yes; that is true. We believe, though, that we have made some very well reasoned and logical choices about how to keep those programs going. You didn't hear my testimony or Mr. Myers' testimony, but we concentrated on a brief explanation of the targeting efforts for conservation technical assistance that the Soil Conservation Service, in cooperation with ASCS, is putting in place. We do expect, also, that farmers have an increasing awareness of the need to do something about soil erosion because it does, of course, impact on their property interests in the long term. We believe that, on balance, taking into account the various problems that are confronting agriculture today, that we have presented a supportable budget even though there are reductions in some areas that are important. There are, as I pointed out, some very substantial increases in other areas that are more immediately important.

Senator BURDICK. Well, I want to assure you I will read your testimony and that of the others given here today, before we have a markup. You can understand why I am in a little shock about the reductions in this program.

Mr. CROWELL. Absolutely. In fact, the pain you are experiencing is not much different than the pain we experienced in putting together this budget, which required us to go through and make these kinds of very difficult choices.

Senator BURDICK. Maybe we can find some way to relieve the pain. [Laughter.]

Mr. CROWELL. I hope so.

Senator BURDICK. Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator.

WATERSHEDS PROGRAM REDUCTIONS

I also think we have to be very careful about approving substantial cuts in the watershed program and other programs that are in this budget that are targeted for elimination or substantial reductions. What is your assessment of what will happen out there in the countryside if you don't have any new watershed planning authorizations this year?

Mr. CROWELL. The result would be to delay some projects which are worthy projects, but again it is a question of how much we can afford to do all at one time.

Senator COCHRAN. I know I have soil and water commissioners who are going to be taking me around all through northern Mississippi in about 3 weeks to look at some problems that exist in that part of our State. It is going to be pretty difficult to tell them we are just not in that business anymore.

Mr. CROWELL. You don't have to go quite that far, Mr. Chairman, but you do have to tell them that in times when we are running a $200 billion Federal deficit and when we have other urgent national priorities, some things do have to be forgone at least temporarily. We aren't eliminating the watersheds program permanently, by any means, but we do think we have to cut it back just as other Federal programs are going to have to be cut back if we are going to have any semblance of sanity in the fiscal program of the Federal Government.

Senator COCHRAN. Well, what you all propose is not to begin new programs; is that right?

Mr. CROWELL. We would have no new starts, that is correct. We would try to keep ongoing projects moving efficiently, though at a decelerated rate, but we are not trying to scrap anything which is currently in progress. It would be a matter of screening out or stretching out desirable work to a later time when the Nation can better afford to do it.

TERMINATION OF RC&D

Senator COCHRAN. The same thing is basically true with the RC&D program; is that correct?

Mr. CROWELL. RC&D is a little bit different. As you know, this administration and the past administration have proposed that the RC&D program be terminated. That is different from our proposal with respect to the watersheds program. We recognize that this program has been valued by the people who have received its services, but we see the RC&D program as basically a catalytic effect which is provided by the Federal Government. We believe there are alternative means for providing that sort of a catalyst to get the desirable community improvement programs done without the RC&D program. For that reason, we are again proposing that the program be terminated.

There are also, as you are aware, Mr. Chairman, some studies which were done by both the Department's Office of Inspector General and by the General Accounting Office in the last couple years. These studies have questioned the identifiable returns from the RC&D program. Now, that doesn't mean that it is a poor program, because you can't always identify in hard dollars and cents the benefits of a particular human endeavor. But because this program has not contributed readily identifiable benefits in terms of its original objectives, we think that that is an argument for the fact that those benefits that have been realized can be generated in some other way through some other mechanism.

Senator COCHRAN. Well, I appreciate very much your testimony to the committee. It has been very helpful in understanding the budget request and the proposal of the administration for the allocation of these scarce resources. I want to thank all of you for being here and participating in the hearing.

Senator BURDICK. Mr. Chairman, I would like to ask one question.

Senator COCHRAN. Senator Burdick.

Senator BURDICK. I understand from the notes I have here that the small watersheds program will be reduced by $88 million, and the present figure is $97 million. Is that correct?

Mr. CROWELL. The total for watershed and flood prevention operations for 1983, as we currently estimate it, would be $185 million. The 1984 budget proposal would result in a reduction of about $90 million, which would take the total program level down to about $97 million.

Senator BURDICK. Roughly speaking, that is almost cutting it in half.

Mr. CROWELL. That is right.

Senator BURDICK. Thank you very much.

SUBMITTED QUESTIONS

Senator COCHRAN. Thank you again for being here. We appreciate your cooperation with the committee.

We will now assemble our second panel, and I think we will take a 2-minute break while we reshuffle the deck.

[The following conservation questions were not asked at the hearing but were submitted for response for the record:]

SOIL CONSERVATION SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

CONSERVATION

Question: We have been hearing, since the Administration's first days in town, that conservation is a big priority. For example, on February 9, President Reagan told editors and broadcasters that "the administration is making efforts to help the farmer who is 'truly a victim of the cost-price squeeze,' by encouraging agricultural exports and soil conservation, and by the PIK program."

I applaud the export and PIK segments of the President's remarks, but cannot understand how soil conservation is being encouraged when he requested budget reductions of $284 million in Soil Conservation Service--SCS--and ASCS conservation activities combined.

Is it, nevertheless, the Administration's position that you are encouraging conservation in other ways? Please explain.

Answer: The FY 1984 Budget, consistent with the recently released National Program for Soil and Water Conservation, establishes clear national priorities for addressing soil and water problems. The highest RCA priority of reducing soil erosion to maintain the productive capacity of agricultural land is clearly reflected in the FY 1984 conservation budget. Even in these austere budget times, the SCS technical assistance program is being increased and targeting of technical assistance to geographic areas with critical erosion and water conservation problems is being more than doubled. Accelerated technical assistance in targeted critical areas is being increased from $12.5 million in 1983 to $26.3 million in 1984. Targeted activities will cover part or all of about 800 counties in 44 States in FY 1984. Program accomplishment and effectiveness can be expected to dramatically increase as the accelerated assistance comes on line. During FY 1984, SCS and other conservation agencies will continue to sharpen the focus of other ongoing program operations to provide additional emphasis to erosion control, water conservation, and the reduction of upstream flooding. Increased emphasis on conservation tillage and other cost efficient measures are being and will continue to be incorporated into the full range of conservation program activities.

The major decreases in the conservation budget are in the cost-sharing and financial assistance program areas. These are areas that are most flexible in being able to delay work and absorb large decreases at least on a temporary basis, without the permanent adverse impact on the program delivery system or on the resource base that major cuts in other conservation programs would have. The conservation budget, excluding these cost-sharing and financial assistance programs, will be about the same in 1984 as 1983 with some small shifts between individual program items. Research and technical assistance are both maintained at a very high level and, in fact, modest increases are proposed for economic research and for technical assistance.

STATE AND LOCAL CONSERVATION FUNDING

Question: According to the Administration, farmers and local governments can take up the slack. In view of the tight fiscal constraints of State governments and the problems faced by farmers, what assurance do you have that local entities will be able to "take up the slack?"

Answer: We realize that fiscal pressures are being felt at all levels of government and by farmers during these difficult economic times. However, contributions of funds and services to soil and water conservation programs from State, local, and private sources have increased steadily over the past few years. Since 1978 the value of these contributions has increased from $212.4 million to $276.3 million in 1982, a thirty percent increase over the five-year period. As a part of this, many States and some counties are offering their own cost-sharing programs to help farmers install conservation practices. We anticipate that this trend will continue in the future.

The Soil Conservation Service continues to place a high priority on providing technical assistance to design and implement conservation systems as an incentive to farmers. Our 1984 budget includes a small increase to provide additional technical assistance in targeted areas where soil erosion and water conservation problems are critical. Emphasis is also being placed on encouraging the use of low cost management practices such as conservation tillage which produce a more immediate return to the operator. In addition, the recently implemented payment-in-kind program requires farmers to devote specified acreage to conservation uses. We believe that they will, in fact, fulfill the requirement by using resources that would otherwise finance production costs on that acreage to at least put into place temporary conservation measures until adequate financing is available for installing permanent conservation systems.

In total, through our combined public and private efforts, we believe that conservation progress can be maintained at an acceptable level until such time as the economic situation improves.

Question: To what extent are States making commitments and contributions at this time?

Answer: The following tables show the contributions of funds and services to soil and water conservation programs from State, local, and other sources for fiscal year 1982.

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

TABLE 1

NATIONAL SUMMARY ESTIMATES - CONTRIBUTIONS OF FUNDS AND SERVICES TO
SOIL AND WATER CONSERVATION DISTRICTS PROGRAM
FISCAL YEAR 1982 - (DOLLARS)

STATE	STATE GOVERNMENT	LOCAL GOVERNMENT	OTHER	FEDERAL NON-SCS	TOTAL
ALABAMA	762,000	980,000	702,000	39,000	2,483,000
ALASKA	3,265,900	191,809	148,400	45,000	3,651,109
ARIZONA	295,897	591,351	664,038	230,385	1,781,671
ARKANSAS	3,241,000	1,790,000	4,356,000	135,000	9,522,000
CALIFORNIA	2,338,500	2,806,500	3,448,000	45,000	8,638,000
CARIBBEAN AREA	3,248,749	615,537	1,793,227	0	5,657,513
COLORADO	618,661	633,397	989,355	123,100	2,364,513
CONNECTICUT	291,000	632,860	359,640	0	1,283,500
DELAWARE	1,707,600	354,300	856,000	0	2,917,900
FLORIDA	3,000	37,875	641,000	0	681,875
GEORGIA	1,667,856	3,317,510	1,460,086	1,300	6,446,752
HAWAII	1,122,479	276,802	3,801,264	0	5,200,545
IDAHO	349,832	588,521	1,400,556	10,000	2,348,909
ILLINOIS	2,507,438	3,840,371	2,274,307	1,000	8,623,116
INDIANA	1,165,424	2,644,719	3,776,604	30,850	7,617,597
IOWA	6,690,562	3,746,824	3,379,674	1,750	16,818,810
KANSAS	2,228,686	5,082,857	3,365,585	2,000	10,679,128
KENTUCKY	2,850,153	866,397	1,385,338	5,000	5,106,888
LOUISIANA	4,816,000	2,349,000	3,457,000	90,000	10,712,000
MAINE	239,420	641,929	863,075	0	1,744,424
MARYLAND	1,161,675	1,686,036	847,451	1,000	3,696,162
MASSACHUSETTS	470,500	525,900	386,900	0	1,383,300
MICHIGAN	2,137,000	2,018,477	2,392,051	525,000	7,072,528
MINNESOTA	4,468,387	5,851,428	2,281,488	300	12,601,603
MISSISSIPPI	651,650	1,533,401	1,057,171	0	3,242,222
MISSOURI	2,836,778	1,514,189	4,530,470	20,653	8,902,090
MONTANA	1,781,794	1,614,169	2,666,553	39,500	6,102,016
NEBRASKA	2,572,485	9,673,448	938,894	25,755	13,210,582
NEVADA	99,376	144,074	310,097	982,302	1,535,849
NEW HAMPSHIRE	7,241	81,964	148,480	0	237,685
NEW JERSEY	258,210	1,439,971	224,386	0	1,922,567
NEW MEXICO	476,284	214,328	1,166,985	790,000	2,647,597
NEW YORK	827,603	4,725,624	1,426,380	0	6,979,607
NORTH CAROLINA	3,290,000	6,901,003	1,744,961	6,627	11,942,591
NORTH DAKOTA	259,003	1,177,163	402,145	24,312	1,862,623
OHIO	7,511,200	2,765,389	3,354,419	0	13,631,008
OKLAHOMA	1,397,863	2,462,640	4,717,488	600	8,578,591
OREGON	555,603	891,155	1,334,010	181,900	2,962,668
PENNSYLVANIA	1,217,000	2,894,998	1,443,608	0	5,555,606
RHODE ISLAND	40,465	33,085	32,180	0	105,730
SOUTH CAROLINA	1,680,800	3,893,313	705,071	47,440	6,326,624
SOUTH DAKOTA	288,589	633,971	511,434	80,407	1,514,401
TENNESSEE	885,866	1,057,667	949,131	67,050	2,959,714
TEXAS	2,774,671	4,290,490	5,139,852	32,125	12,237,138
UTAH	208,000	806,300	1,537,600	518,200	3,070,100
VERMONT	112,547	180,452	829,448	2,000	1,124,447
VIRGINIA	1,071,848	980,850	358,972	30,000	2,441,670
WASHINGTON	787,284	809,859	2,012,707	185,000	3,794,850
WEST VIRGINIA	2,226,408	580,909	199,774	0	3,007,091
WISCONSIN	3,328,177	3,969,122	2,455,814	0	9,753,113
WYOMING	289,823	512,655	728,534	85,200	1,616,212
TOTAL:	88,084,287	97,852,589	85,955,603	4,404,756	276,297,235

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

TABLE 2

NATIONAL SUMMARY ESTIMATES - CONTRIBUTIONS OF FUNDS AND SERVICES TO
SOIL AND WATER CONSERVATION DISTRICTS PROGRAM
FISCAL YEAR 1982 - (DOLLARS)

STATE	PROG ASSMNT	CONS PLAN	CONS APPL	SOIL SURVEY	SNOW SURVEY	WATERSHED	RC&D AREA	OTHER	TOTAL
ALABAMA	1,012,000	171,000	479,000	299,000	0	130,000	345,000	47,000	2,483,000
ALASKA	320,000	268,670	2,523,700	482,739	23,000	0	0	33,000	3,651,109
ARIZONA	170,890	64,262	590,683	232,735	650	627,875	49,996	44,580	1,781,671
ARKANSAS	3,031,000	688,000	2,826,000	137,000	0	1,909,000	827,000	104,000	9,522,000
CALIFORNIA	1,500,000	445,000	2,868,000	691,000	0	2,910,000	104,500	119,500	8,638,000
CARIBBEAN AREA	1,049,266	510,950	3,811,683	0	0	159,464	123,700	2,450	5,657,513
COLORADO	649,959	202,442	1,095,722	167,036	24,109	108,470	32,644	84,131	2,364,513
CONNECTICUT	284,000	68,500	80,700	66,000	0	145,800	638,500	0	1,283,500
DELAWARE	176,600	231,400	1,183,400	0	0	865,100	431,400	30,000	2,917,900
FLORIDA	197,825	116,500	107,500	15,050	0	185,000	60,000	0	681,875
GEORGIA	977,135	656,395	1,972,597	9,720	0	1,525,330	1,059,780	245,795	6,446,752
HAWAII	765,853	81,304	3,197,198	0	0	1,118,600	13,390	24,200	5,200,545
IDAHO	520,421	284,031	606,262	20,550	12,900	193,679	594,636	116,430	2,348,909
ILLINOIS	2,214,659	1,212,879	1,649,632	942,264	0	1,937,734	556,038	109,910	8,623,116
INDIANA	2,088,371	799,273	2,329,717	628,564	0	1,024,669	502,442	244,561	7,617,597
IOWA	4,082,147	497,241	3,899,938	893,454	0	1,396,301	466,301	5,583,428	16,818,810
KANSAS	1,968,451	725,973	1,737,190	13,034	0	5,464,226	587,338	187,916	10,679,128
KENTUCKY	1,037,826	278,834	576,111	223,000	0	739,495	580,826	1,670,796	5,106,888
LOUISIANA	1,821,000	413,000	2,103,000	420,000	0	5,715,000	215,000	25,000	10,712,000
MAINE	275,941	124,305	338,935	103,850	0	223,466	[illegible]0,027	37,900	1,744,424
MARYLAND	703,770	595,771	1,187,999	9,750	0	314,722	[illegible],260	242,890	3,696,162
MASSACHUSETTS	204,900	41,900	166,200	21,000	0	268,300	640,000	41,000	1,383,300
MICHIGAN	1,615,650	645,404	2,603,576	1,154,941	0	299,402	724,675	28,880	7,072,528
MINNESOTA	1,645,896	1,385,556	3,105,975	1,418,069	0	2,839,844	548,967	1,657,296	12,601,603
MISSISSIPPI	605,453	115,498	786,619	90,630	0	1,280,412	315,859	47,751	3,242,222
MISSOURI	2,714,508	821,621	2,733,372	958,989	0	1,046,583	315,925	311,092	8,902,090
MONTANA	1,123,545	869,092	1,602,764	211,639	28,081	318,109	1,498,267	450,519	6,102,016
NEBRASKA	2,564,820	706,165	4,261,244	575,755	0	3,517,906	1,188,883	395,809	13,210,582
NEVADA	248,082	51,825	144,170	982,302	6,050	30,250	10,650	62,520	1,535,849
NEW HAMPSHIRE	109,212	24,765	78,063	6,650	0	10,656	7,945	394	237,685
NEW JERSEY	465,060	183,421	90,951	23,500	0	290,490	818,145	51,000	1,922,567
NEW MEXICO	502,506	76,036	1,023,879	806,700	5,750	153,700	35,241	43,785	2,647,597
NEW YORK	1,275,841	1,087,806	2,714,233	301,190	0	937,347	364,868	258,322	6,979,607
NORTH CAROLINA	1,734,182	426,006	1,168,688	860,881	0	6,337,058	1,091,804	323,972	11,942,591
NORTH DAKOTA	598,442	125,532	402,066	184,547	0	471,581	61,482	18,973	1,862,623
OHIO	2,819,064	1,944,378	2,585,594	1,067,051	0	625,179	1,409,742	3,180,000	13,631,008
OKLAHOMA	1,568,488	477,635	3,961,698	79,307	0	1,501,106	274,793	715,564	8,578,591
OREGON	477,996	257,012	1,142,761	231,339	25,800	166,223	40,460	621,077	2,962,668
PENNSYLVANIA	2,772,050	873,824	721,868	35,250	0	719,403	219,931	213,280	5,555,606
RHODE ISLAND	41,275	17,270	17,605	3,000	0	5,850	20,730	0	105,730
SOUTH CAROLINA	985,442	290,857	636,970	163,740	0	3,510,580	216,000	523,035	6,326,624
SOUTH DAKOTA	502,506	101,001	351,707	276,433	0	5,450	72,198	205,106	1,514,401
TENNESSEE	875,070	262,502	756,730	260,200	0	502,824	246,255	56,133	2,959,714
TEXAS	3,115,801	2,004,835	3,602,336	241,526	0	2,055,239	876,394	341,007	12,237,138
UTAH	521,000	369,000	945,000	623,200	13,900	242,000	282,000	74,000	3,070,100
VERMONT	108,707	24,355	711,676	12,400	0	154,569	76,230	36,510	1,124,447
VIRGINIA	551,456	158,295	255,193	264,431	0	493,259	646,050	72,986	2,441,670
WASHINGTON	442,130	239,892	2,686,110	188,000	1,400	12,913	198,277	26,128	3,794,850
WEST VIRGINIA	338,426	420,865	219,183	23,000	0	1,771,367	215,620	18,630	3,007,091
WISCONSIN	1,980,959	894,055	2,612,001	586,322	0	325,918	110,467	3,243,391	9,753,113
WYOMING	319,553	111,201	554,753	103,690	9,040	222,150	283,815	12,010	1,616,212
TOTAL:	57,675,134	23,443,334	77,807,952	17,110,428	150,680	56,849,599	21,276,451	21,983,657	276,297,235

TARGETING ACTIVITIES

Question: It is my understanding that beginning in FY 1981, SCS targeted an increase in funds to selected geographic areas of the country to address critical problems involving cropland erosion and agricultural water. Please provide for the record a table showing the geographic areas, the dollar amounts provided for fiscal years 1981, 1982, 1983 and projected for 1984.

Answer: The following tables summarize:

1. The targeted funding levels by state for fiscal years 1981, 1982, 1983 and proposed levels for 1984.

2. A description of each of the areas, states and counties involved, cropland acreage, and basis for selection. Under the basis for selection, high erosion is defined as an average annual rate of 10 tons per acre and moderate erosion is an average annual rate of 5 to 10 tons per acre. High erosion rates have a very significant impact on long term row crop productivity while moderate erosion rates have a lesser effect on productivity. This second table updates the one included in our agency's budget request by revising earlier estimates of the number of counties included in each area.

Summary of Targeted Area Funding

A. Cropland Erosion

Targeted Area	State	Funding Levels (000's)			
		FY 1981	FY 1982	FY 1983	(Proposed) FY 1984
Coastal Plain	AL	420.0	660.0	673.0	700
	FL				300
	GA	320.0	525.0	530.0	830
	SC				325
Cornbelt	IL				200
	IA	546.0	901.0	901.0	900
	KS			275.0	500
	MN				250
	MO	294.0	514.0	734.0	1,100
	NE			500.0	1,500
	SD				500
East Central Feed Grain	IN				600
	MI				450
	OH				800
	SD				150
Northern Mississippi Valley	IA			400.0	700
	MN			225.0	350
	WI			200.0	350
Piedmont	MD				300
	NJ				100
	NC			300.0	400
	PA				400
	VA			300.0	400
Palouse	ID	200.0	372.5	372.5	375
	OR	144.4	239.4	255.4	260
	WA	495.6	836.1	837.1	850
Southern Mississippi Valley and Uplands	AR			350.0	500
	IL			250.0	900
	IN			300.0	350
	KY	230.0	395.0	395.0	800
	LA			250.0	350
	MS	115.0	228.0	228.0	900
	MO				300
	TN	530.0	875.0	900.0	900
East and Central Farming and Forest	KY				250
	WV				200
Northwestern Wheat and Range	ID				300
	WA				100
Small Areas Within a State	CA			400.0	400
	HA				250
	ME			125.0	150
	NY				400
	ND				200
	OK			175.0	235
	PR				100
	TX			350.0	400
	UT			120.0	125
Cropland Erosion Subtotals		3,295.0	5,546.0	10,346.0	21,700

Summary of Targeted Area Funding

B. Water Conservation

Targeted Area	State	Funding Levels (000's)			
		FY 1981	FY 1982	FY 1983	(Proposed) FY 1984
Western Water Conservation Areas	AZ	30.0			100
	ID	84.0	134.0	134.0	134
	MT	98.2	163.2	163.2	250
	NV	29.4	49.4	84.4	100
	OR	54.6	84.6	84.6	100
	UT	46.2	76.2	76.2	100
	WY	96.6	161.6	161.6	175
Salinity	CO	206.0	285.0	300.0	300
	NV	30.0	50.0	50.0	50
	UT	30.0	50.0	50.0	50
Ground Water Depletion	AR				150
	CO			125.0	200
	KS			125.0	185
	NE			200.0	450
	NM			75.0	100
	OK			50.0	75
	TX			175.0	475
Other Irrigated Areas Within a State	CA			200.0	231
	FL			100.0	125
	TX				200
Water Conservation Subtotals		705.0	1,054.0	2,154.0	3,550
Program Reserve					1,050
TOTALS		4,000.0	6,600.0	12,500.0	26,300

SUMMARY OF PROPOSED TARGETED AREA FUNDING FY 1984

Targeted Area	Description	States	Counties	Total Cropland Acres (000's)	CTA Target Funds (000's) FY 1984 Proposed	Basis for Selection [6]
A. Cropland Erosion Control (Total)		38	608	102,254	21,700	
1. Coastal Plain	Very erosive soils with exposed clayey subsoil layers on moderate to steep slopes.	Alabama	16	1,066	700	Moderate-high erosion Moderate impact on productivity
		Florida	3 [2]	1,200	300	
		Georgia	39	3,291	830	
		South Carolina	16 [2]	1,636	325	
	Subtotal	4	74	7,193	2,155	
2. Cornbelt	Silty soils with extremely high erosion potential on moderately steep to steep slopes.	Illinois	5 [3]	2,553	200	Moderate erosion High impact on productivity
		Iowa	16	4,659	900	
		Kansas	14	1,798	500	
		Minnesota	8 [3]	2,686	250	
		Missouri	23	4,417	1,100	
		Nebraska	48 [1]	10,746	1,500	
		South Dakota	10 [2]	2,704	500	
	Subtotal	7	124	29,563	4,950	
3. East Central Feed Grain	Fine to medium textured till soils with high erosion on moderate slopes.	Indiana	16 [3]	2,571	600	High erosion Moderate impact on productivity
		Michigan	12 [3]	2,715	450	
		Ohio	25 [3]	4,857	800	
		South Dakota	4	950	150	
	Subtotal	3 [4]	57	11,093	2,000	
4. Northern Mississippi Valley	Silty soils with extremely high erosion potential on moderately steep to steep slopes with shallow depth to bedrock in some places.	Iowa	20 [3]	4,534	700	Moderate-high erosion Moderate-high impact on productivity
		Minnesota	6	1,415	350	
		Wisconsin	5	1,638	350	
	Subtotal	1 [4]	31	7,587	1,400	
5. Piedmont	Very erosive soils with exposed clayey subsoil layers on moderate to steep slopes.	Maryland	8 [2]	795	300	Moderate erosion High impact on productivity
		New Jersey	3 [2]	190	100	
		North Carolina	13	764	400	
		Pennsylvania	14 [2]	2,002	400	
		Virginia	14	796	400	
	Subtotal	5	52	4,547	1,600	
6. Palouse	Loess soils with low soil particle stability on extremely steep slopes. Extremely high erosion potential.	Idaho	8	1,043	375	High erosion Moderate impact on productivity
		Oregon	5	1,720	260	
		Washington	13	3,291	850	
	Subtotal	3	26	6,054	1,485	
7. Southern Mississippi Valley and Uplands	Silty soils with extremely high erosion potential on moderately steep to steep slopes.	Arkansas	14	3,721	500	High erosion Moderate impact on productivity
		Illinois	19 [1]	3,634	900	
		Indiana	12	1,433	350	
		Kentucky	13 [1]	1;605	800	
		Louisiana	10	993	350	
		Mississippi	32 [1]	1,961	900	
		Missouri	6 [2]	410	300	
		Tennessee	21	3,065	900	
	Subtotal	5 [4]	127	16,822	5,000	
8. East and Central Farming and Forest	Highly erosive acid soils, low in inherent fertility, underlain by clay enriched subsoils, and occurring on moderately steep slopes.	Kentucky	12 [3]	828	250	Moderate erosion High impact on productivity
		West Virginia	13 [2]	189	200	
	Subtotal	1 [4]	25	1,017	450	
9. Northwestern Wheat and Range	Highly erosive loess soils occurring on moderately steep slopes	Idaho	10 [3]	1,400	300	Moderate-high erosion Moderate impact on productivity
		Washington	2 [3]	448	100	
	Subtotal	0 [4]	12	1,958	400	
10. Small Areas Within a State [3]	Course to silty soils on moderate to steep slopes that are very erosive when used for row crops. Utah range soils have extremely fragile surface layers where minimum soil losses preclude range recovery.	California	10	1,188	400	Moderate-high erosion Moderate-high impact on productivity
		Hawaii	2 [2]	120	250	
		Maine	1	244	150	
		New York	12 [2]	611	400	
		North Dakota	6 [2]	3,182	200	
		Oklahoma	20	6,455	235	
		Puerto Rico	2 [2]	76	100	
		Texas	24	4,121	400	
		Utah	3	423	125	
	Subtotal	9	80	16,420	2,260	

SUMMARY OF PROPOSED TARGETED AREA FUNDING FY 1984 (cont'd)

Targeted Area	Description	States	Counties	Total Cropland Acres (000's)	CTA Target Funds (000's) FY 1984 Proposed	Basis for Selection
8. Water Conservation (Total)		6	176	23,529	3,550	
11. Western Water Conservation Areas	Irrigated cropland areas that have irrigation efficiencies below 60 percent and/or problems of inadequate supply.	Arizona	3 [2]	251	100	Low irrigation efficiencies and unstable water supply.
		Idaho	20	885	134	
		Montana	17	1,165	250	
		Nevada	7	305	100	
		Oregon	6	55	100	
		Utah	5	19	100	
		Wyoming	14	1,394	175	
	Subtotal	4 [4]	72	4,074	959	
12. Salinity	Irrigated cropland areas (outside Colorado Salinity Control Area) that have high levels of salt concentration in the surface soil.	Colorado	6	373	300	Salinity
		Nevada	1	8	50	
		Utah	1	9	50	
	Subtotal	1 [4]	8	390	400	
13. Ground Water Depletion [3]	Irrigated crop areas are dependent on ground water supplies which are rapidly decreasing. Irrigation efficiencies are less than 65 percent.	Arkansas	15	1,396	150	Ground water depletion
		Colorado	10	600	200	
		Kansas	4	2,966	185	
		Nebraska	12	1,878	450	
		New Mexico	3	634	100	
		Oklahoma	10	552	75	
		Texas	27	6,119	475	
	Subtotal	1 [4]	81	14,145	1,635	
14. Other Irrigated Areas Within a State	Other irrigated areas that have low efficiency of water use, or toxic (salt) problems, and/or ground water depletion.	California	6	4,068	231	Inadequate supply and contamination
		Florida	6	72	125	
		Texas	3 [2]	780	200	
	Subtotal	0 [4]	15	4,920	556	
15. National Headquarters and National Technical Center administrative costs and targeted area reserve. [5]		--	--	---	1,050	
	Subtotal	--	--	---	1,050	
	GRAND TOTAL	44	784	125,783	26,300	

[1] The number of counties is expanded for FY 1984.

[2] A new State is added for FY 1984.

[3] New area added for FY 1984.

[4] A State is counted once regardless the number of times it occurs on the list.

[5] To be used for adjustments within existing areas and for additional areas identified when the 1982 NRI data summaries are available.

[6] Erosion
High is an average annual rate of more than 10 tons per acre.
Moderate is an average annual rate of 5 to 10 tons per acre.

Productivity
High erosion rates have a very significant impact on long term row crop productivity.
Moderate erosion rates have a lesser impact on long term row crop productivity but may cause offsite damages.

TARGETING ACTIVITIES

Question: Please describe how a geographical area is selected.

Answer: The purpose of targeting is to protect the Nation's agricultural production capability through increased erosion control and water conservation. Targeting is designed to accelerate conservation treatment in areas that have more critical and persistent erosion and/or water problems. By using the National Resources Inventories, River Basin Studies, and other nationally consistent data, USDA has identified broad geographical areas and the types of problems that may qualify areas for targeted assistance.

Proposals that are consistent with broad national criteria are prepared at the State and local levels and submitted to USDA.

Rationale for selecting targeted areas at the national level are based on:

-- Severity and extent of the problem.

-- Effect on agricultural productivity and offsite damages. In some cases, tons of soil loss may be more severe in other areas of the country; but because soils are shallow, even a small amount of soil loss may have more effect on productivity than the larger soil loss.

-- Expected results. What solutions are available, and do they require increase in technical assistance or cost share, or both.

— Local interest and willingness to support the effort. We want to accelerate a local effort rather than initiate the effort.

Selection of the proposed targeted areas is jointly made at the national level by the Agricultural Stabilization and Conservation Service and Soil Conservation Service staffs and then are included in the SCS agency budget request. The Secretary of Agriculture, the OMB, the President, and the Congress then have an opportunity to review and revise the budget request and the general targeting proposal as it proceeds through the normal budget and appropriations process.

Question: What part do States and local efforts play in this selection?

Answer: Targeting proposals are prepared at the local and State levels through joint efforts of conservation district officials, Soil Conservation Service (SCS) staff, Agricultural Stabilization and Conservation County Committees, and others. The proposals are reviewed and evaluated by the National Headquarters staffs of SCS and the Agricultural Stabilization and Conservation Service. Proposals are tentatively selected for funding at the national level and then are included in the SCS budget request.

Question: Does this program have full support of local conservation districts?

Answer: No targeted area proposal is considered for selection that does not have the full support of both the local conservation district involved and the local ASC Committee. Targeted area proposals are required to include documentation of such support as a part of the overall proposal. We consider this a key factor in making the targeting concept most effective.

WATER CONSERVATION PROJECTS AND THE JOBS BILL

Question: A major concern today is the high rate of unemployment. It appears you are trying to eliminate or reduce the programs that provide jobs. As you know, we passed a Jobs bill in the Senate which contains monies for watershed protection and flood control projects.

What soil or water conservation projects do you have planned or about planned that could be accelerated to provide more jobs? Please be more specific for the record.

Answer: The jobs bill authorizes work on projects which have been started or completed. 1,280 small watershed projects have been approved to date. 94 have been deauthorized and 48 are currently inactive primarily because sponsors have not secured landrights, financing or adequate sponsorship. 575 projects have been completed and may be eligible for rehabilitation work. The remaining 563 projects are in the preconstruction and construction stages or are continuing land treatment. These projects are eligible for accelerated assistance. There are also 389 subwatershed projects authorized by Public Law 534 that could be funded from the jobs bill depending upon sponsor readiness. About 172 of these projects are in preconstruction, and construction or are continuing land treatments. 160 have been completed and the remainder not been started.

FISCAL YEAR 1984 WATER RESOURCE BUDGET

Question: Why is agriculture's water resource conservation budget carrying a larger percent of the reduction in funding than the Corps of Engineers and the Bureau of Reclamation?

Answer: The Soil Conservation Service's budget for water resource conservation was considered in relation to the other programs administered in the Agency and the Department of Agriculture. A high priority has been placed on conserving soil for the Nation's capacity to produce food and fiber. Consequently in times of tight budgets and large supplies of commodities, investments in small watershed and flood prevention projects can be delayed without crippling the basic mission of the agency.

Question: Was an attempt made to defend USDA's water resource budget?

Answer: The Department of Agriculture has developed a national program for soil and water conservation in accordance with the Soil and Water Resources Conservation Act of 1977. The Final Program Report places the highest priority on the reduction of excessive soil erosion, which impairs agricultural productivity, on crop, range, pasture and forest lands and makes conservation of water used in agriculture and the reduction of flood damages in small upstream watersheds the second priority. Every attempt was made to fund both of these priorities at a high level throughout the formulation of the fiscal year 1983 budget. In the end, economic conditions and the need to propose an effective and realistic budget resulted in the decision to reduce the watershed resource conservation budget.

NEW STARTS FOR WATERSHED PLANNING AND IMPLEMENTATION

Question: Each year, we seem to get into a discussion of new watershed planning starts. How do they differ from construction starts?

Answer: A watershed planning start is the formal commitment to undertake an investigation of how to solve a watershed problem in the most cost effective and acceptable manner. Alternatives are analyzed and a solution that can be carried out by the local sponsors is proposed as the final plan. Local sponsors are not required to finance the plan, but they must carry out public meetings, obtain permission and permits for making the investigations, and they must agree to operate and maintain any planned measure that is installed. Each new planning start implies that between 10 and 12 staff years and about $400,000 of Federal funds will be commited to developing the plan.

A new construction start is the first contract to install the measures called for in an approved watershed plan. Sponsors must have acquired landrights and secured adequate financial means to cost share implementation of the plan before a new construction start is approved. Each new construction start implies that the entire plan will be installed over an average of about 9 years at a total Federal cost of nearly $1 million per year.

SELECTION OF NEW SMALL WATERSHED PLANNING STARTS

Question: Wouldn't it be better to talk about the amount of funds designated for planning starts than to set a numbers limit? Seems to me, that a dollar limit might encourage the selection of the more cost efficient projects to start rather than the biggest which may not be the ones where we would get the most for the taxpayers dollar?

Answer: The current procedure to evaluate planning authorization requests includes criteria to assure that new planning starts are targeted to the most urgent soil and water conservation problems and planning funds are allocated so as to complement ongoing USDA programs. Factors such as reduction of upstream flood damages, reduction of excessive erosion, local study participation, study duration, cost efficiency, and existing workload and staff capability are used to provide a uniform, acceptable standard for evaluating planning requests. The result is a list of potential new planning starts that can be prioritized and used as a basis for future plans. It is possible that a specific amount of funds designated for planning starts rather than a set number of plans to start could change the order in which the plans would be started. However, we believe that the current evaluation system already leads to planning the most urgent and cost efficient projects first.

RESOURCES CONSERVATION ACT (RCA)

Question: In order to bring the Committee up to date, would you please describe exactly where you stand in relation to the implementation of the Resources Conservation Act. What has been done since passage of the Act; where do you stand at the present time; and what are your plans for the remainder of fiscal year 1983, as well as for fiscal year 1984.

Answer: Since the Resources Conservation Act was enacted in 1977, a great deal of work has gone into completing the legislative requirements of the Act and redirecting the soil and water conservation programs of USDA. The Appraisal Part I - Soil, Water and Related Resources: Status, Conditions, and Trends; and Appraisal Part II - Analysis of Resource Trends were released in final form in 1981. A National Program for Soil and Water Conservation, the Final Program Report and Environmental Impact Statement was released in 1982, to complete the initial requirements of the Act.

At present, major activities include evaluation of currently authorized programs, the initiation and evaluation of special studies and pilot projects to fill data gaps and test conservation strategies, implementation of the 1982 National Program, and development and refinement of basic assumptions and analytical techniques and tools. The 1982 National Resources Inventory is nearing completion and future activities will shift substantially toward analysis of the data and preparation of the appraisal reports which are required by the Act at 5-year intervals. The work carried out during the last several years will plug many of the data gaps found in the earlier appraisal.

Question: How much of the total budget for SCS has been devoted to RCA activities to date?

Answer: The following table shows the total appropriations received for RCA activities to date:

Fiscal Year	Appropriations (000's)	Percent of total SCS Appropriations
1978	$5,300	0.9%
1979	6,294	1.2%
1980	4,348	0.8%
1981	5,605	0.9%
1982	4,338	0.7%
1983	5,995	1.0%

FUNDING FOR USDA CONSERVATION PROGRAMS

Question: A lot of effort went into visualizing and projecting a USDA conservation program thrust since the passage of the Soil and Water Resources Conservation Act (RCA) in 1977. I understand that after much deliberation, negotiation and compromise, two program levels were identified. The low bound funding, which appears in the RCA program presented to Congress last December 21, was $735 million. I assume this level is to be the floor — the level below which conservation accomplishment becomes unacceptable. Therefore, I'm somewhat surprised that your USDA conservation request only totals up to $694 million. I also note that 5 agencies involved with conservation received a reduction in conservation funding while only 2 received increases. The net reduction for conservation from 1983 to 1984 is estimated at over $272,000,000. Please explain for the Committee the reasons for the reduced level of funding. How was the determination made as to which agencies and programs would receive the extra reductions.

Answer: Our conservation budget proposal reflects the urgent need to reduce Federal spending to improve the Nation's economic situation. This is clearly the overriding concern at this time. The Statement of Policy which accompanied the final RCA program plan recognized the necessity for lower funding levels during times when priority must be given to other pressing National needs. The commitment to funding these programs is qualified with respect to each year's economic and fiscal context. The long-term effectiveness in addressing soil and water conservation programs will benefit more under a stable and growing economy in the agricultural sector and for the Nation as a whole.

The major decreases in the conservation budget are in the cost-sharing and financial assistance program areas. These are areas that are most flexible in being able to delay work and absorb large decreases at least on a temporary basis, without the permanent adverse impact on the program delivery system or on the resource base that major cuts in other conservation programs would have. The conservation budget, excluding these cost-sharing and financial assistance programs, will be about the same in 1984 as 1983 with some small shifts between individual program items. Research and technical assistance are both maintained at a very high level and, in fact, modest increases are proposed for economic research and for technical assistance. Data collection and analysis activities are down slightly, in part simply due to the cyclical nature of the RCA data collection process and in part due to temporary fiscal constraints.

In total, the proposed funding level represents a strong commitment and high priority for conservation programs in this period of extremely tight budgets and competing priorities.

Question: What percent reduction is this below the 1983 levels?

Answer: The total FY 1984 budget for all USDA conservation programs included under the RCA is $694.1 million, which is a decrease of $272.3 million or 28% below the 1983 level. When compared to the RCA "high" and "low" bound program options, the FY 1984 proposal is only about 6 percent below the "low" bound option.

RATIONALE FOR 1984 BUDGET REDUCTIONS

Question: In reviewing USDA's conservation budget, it appears that the primary reductions are in those programs that provide financial assistance, i.e., dollars, directly to land users to cover the cost of conservation application, like the Great Plains Conservation Program (GPCP), the Agriculture Conservation Program (ACP), Water Bank (WBP), Forestry Incentives Program (FIP), soil and water conservation loans. The other area to suffer are those programs which provide construction jobs such as the Watershed and

Flood Prevention Operations, RC&D and related loans. Are these programs no longer needed?

Answer: Proposed reductions in funding for conservation cost-sharing programs, construction activities under the Watersheds programs, and related loan programs are in no way meant to indicate that these important conservation programs are no longer needed. These reductions are proposed as temporary measures primarily for fiscal policy reasons in recognition of the urgent and immediate need to bring down Federal deficits. These kinds of activities are easier to resume in later years than other kinds of conservation programs where a reduction would involve significant losses of trained personnel and would, therefore, essentially be permanent.

The one exception to this is the Resouce Conservation and Development Program which is proposed for complete termination. This program has been the subject of a number of studies conducted by the Department and the General Accounting Office. All the written reports from these studies indicate that benefits from the Federal investment in RC&D are difficult to pin down. The reviews did reveal that there was no question that some benefits had been realized, but adequate data were not available on which to base the traditional cost/benefit analysis of the Program's value.

Consequently, as the Administration evaluates the priority use of funds appropriated for the Department in this time of constrained Federal budgets, it is difficult to defend the continuation of RC&D.

Question: Has the demand for participation decreased or what is the reason for the 30-100% decrease in funds for these individual programs?

Answer: There has been no decrease in the demand for participation in these programs. The need for these decreases has to do with the overall economic situation of the country and competing priorities.

Question: Are these reductions in line with the RCA program as submitted?

Answer: Federal cost-sharing and financial assistance activities are the areas that have always been considered in the RCA process as the "variables" which would share in conservation funding after the more critical needs for research, technical assistance, data analysis, and information and education are met. The FY 1984 Budget is consistent with this philosophy.

WATERSHED PLANNING

Question: How many watershed planning authorizations were there in Fiscal Year 1982?

Answer: There were 34 new planning authorizations in fiscal year 1982.

Question: How many watershed planning authorizations will there be in fiscal year 1983?

Answer: We estimate that we will initiate 25 new small watershed plans in fiscal year 1983.

Question: I understand no new authorizations will be made in 1984. Is that correct?

Answer: That is correct. No new planning starts would be initiated and 2 plans would be completed in fiscal year 1984.

EFFECT ON PERSONNEL

Question: What effect will this have on personnel? Will there be RIF's?

Answer: The program reduction would mean that all staffs would remain in operation unless the need for a consolidation to improve program efficiencies became apparent. There would be a reduction of about 42 staff years of work spent on small watershed planning. Depending upon the actual number of people employed at the start of the year and the number that would seek other positions during the year, between 30 and 50 employees would be RIFed. Some of the remaining employees may relocate to other small watershed planning staffs during the year.

WATERSHED AND FLOOD PREVENTION OPERATIONS LOANS

Question: You are proposing deletion of the bill language which allows you to make loans to support this work. How much did you loan in Fiscal Year 1982?

Answer: In fiscal year 1982, $1,050,000 in loan funds was obligated by the Farmers Home Administration for the small watershed and flood prevention programs.

Question: What is the interest rate on these loans?

Answer: The current interest rate on these loans is 10.51 percent.

Question: Please describe what these loans are used for.

Answer: Most loans are made to cover the local cost for impounding water for municipal and industrial use and for irrigation, to acquire landrights, and to improve water storage facilities.

Question: If Congress should go along with this request, what impact would this have on watershed and flood prevention operations in the States?

Answer: Based on historical information, between 2 and 14 loans that would normally be made by the Farmers Home Administration would have to be obtained by sponsors from other sources. This could delay financial assistance for their specific projects. However, the overall watershed and flood prevention project installation rate would not be slowed down because other sponsors with sufficient funds would be able to qualify for all the financial assistance available in fiscal year 1984.

EMERGENCY WATERSHED PROTECTION FUNDING

Question: You are also proposing bill language deleting appropriations for the Emergency Watershed Operations Program. How much was spent in Fiscal Year 1982 for emergency work caused by flooding?

Answer: A total of $12,284,409 was obligated in fiscal year 1982 for emergency watershed protection operations. $1,036,346 of this amount was for the Mount Saint Helens disaster.

Question: Have any funds been used so far in Fiscal Year 1983? Please describe.

Answer: The demand for emergency funds has been much higher than anticipated. The recent storms in Mississippi, Arkansas and California will probably use up all the fiscal year 1983 emergency funds that are left. However, the amount provided in the Jobs Bill would restore the fund to a level which should meet normal emergency needs for the remainder of fiscal year 1983 and provide carryover funds for fiscal year 1984.

Question: What is the current unobligated balance in this account?

Answer: All but about $2 million has been obligated so far this year.

WATERSHED OPERATIONS AUTHORIZED BY PUBLIC LAW 534

Question: For watershed operations authorized by P.L.-534, you are requesting a reduction of $8,546,000 below the amount available in Fiscal Year 1983. What will you be able to accomplish with the $15 million you are requesting?

Answer: No new construction starts would be initiated and two subwatershed projects would be completed. All staffs would remain in operation unless it becomes apparent that consolidations to improve program efficiencies should take place. The $15.2 million funding level would be sufficient to ensure continuation of the progam in future years with operations resuming at about 65 percent of the fiscal year 1983 accomplishment.

Question: If we restored the funds, what would you be able to accomplish?

Answer: Depending upon sponsor readiness, up to 5 new construction starts could be initiated, 2 projects could be completed and work would continue on about 107 subwatershed projects.

Question: What would be the effect of this reduction on personnel?

Answer: As many as 150 employees would be RIFed depending upon the number of people employed at the start of the year and the number that would choose to find other employment during the year. Program operations would be disrupted until the RIF was completed and up to 40 of the remaining employees were relocated.

SMALL WATERSHED OPERATIONS AUTHORIZED BY PUBLIC LAW 566

Question: For P.L.-566 small watersheds, you are requesting $81 million (a reduction of some $70 million) for Fiscal Year 1984. What will you be able to accomplish with that amount?

Answer: No small watershed construction projects would be started or completed, but nearly $26 million would be available for contract modifications and high priority ongoing work. The $81.4 million funding level would be sufficient to ensure continuation of the program in future years with program operations resuming at about 54 percent of the fiscal year 1983 accomplishment level.

Question: If Congress were to restore this reduction, what additional work would you be able to accomplish. Please be specific for the record.

Answer: We would be able to initiate approximately 20 new construction starts, complete construction on 25 projects and continue to work on those ongoing projects that would be ready for contracts.

Question: During Fiscal Year 1984 you indicate there would be no new construction starts or completions. How many projects did you complete in Fiscal Year 1983; start in Fiscal Year 1983? Please provide lists for the record.

Answer: We can only estimate what the program results will be at this time. However, we believe that 25 projects would be completed and there would be 20 new construction starts. The number of projects that would be completed is based on historical averages and there is no specific list available. The new starts would most likely come from the 75 projects that have been approved, but have not had a construction start prior to 1984. The following list shows projects that would be started in the next 18 months if sponsors secure all needed landrights and financing.

PUBLIC LAW 83-566
POTENTIAL CONSTRUCTION STARTS
BY THE END OF FISCAL YEAR 1984

State	Watershed Project Name
AL	Cypress Creek (TN)
AL	Dynne Creek
AR	Larkin Creek
AR	South Fork
CT	Avery Brook
FL	Jumper Creek
GA	Tesnatee Creek
HI	Waimanalo
IL	Little Calumet River
KS	Wet Walnut No. 3
KS	Wet Walnut No. 5
KS	Peyton Creek
KY	Stewart Creek
MA	Baiting Brook
MN	South Zumbro

MO	Mozingo Creek
MS	Line Creek
MT	Wolf Creek
NC	Moss Neck
NE	South Branch Little Nemaha
NY	Brandywine Creek
OH	Rattlesnake Creek
SC	Little River
SC	Cartwheel Community
TN	North Fork-Forked Deer
VA	Great Creek
VT	Upper Castleton River
WI	Pine River
WI	Maiden Rock Coulee
WV	Piney Creek-Soak Creek

WATERSHED AND FLOOD PREVENTION OPERATIONS RESCISSION

Question: If Congress does not approve your proposed rescission of $68,955,000 ($8,575,000 - P.L.-534 and $60,420,000 for P.L. - 566), what will you be able to accomplish during the remaining months of Fiscal Year 1983?

Answer: The remaining new construction starts mandated by the fiscal year 1983 appropriations act would be initiated and the ongoing work would continue at the higher funding level.

NATIONAL RESOURCES INVENTORY

Question: The budget proposes a decrease of $5.8 million for the Inventory and Monitoring Program, which deletes funds for the National Resources Inventory data collection work. Why are these funds no longer needed?

Answer: The proposed reduction in this program simply reflects the cyclical nature of the data collection process related to the National Resources Inventories which are conducted at five-year intervals as required by the Rural Development Act of 1972, Public Law 92-419. The data collection, compilation, and analysis work related to the 1982 National Resources Inventory (NRI) will be completed in FY 1983. The field data collection work related to these inventories requires concentrated efforts to assemble inventory data which provide an accurate assessment of resource conditions as of a specific point in time. We will not be doing this work again until the next National Resources Inventory is conducted probably in FY 1987.

Question: Will funding be needed in the future?

Answer: We may need to request funds in the future to accomplish the 1987 National Resources Inventory. Future funding needs will be determined as the specific workload requirements for conducting this inventory are developed. we are working on improving the efficiency of future national resource inventory efforts and reducing overall costs associated with this work by building a more comprehensive data base at the local and regional level and by integrating new and improved technology.

Question: When will the next NRI be?

Answer: The next National Resources Inventory is tentatively scheduled for 1987.

Question: What will the personnel impact be of this reduction?

Answer: About 80 staff years of effort are related to this reduction. These staff years will be redirected to other SCS program areas.

RESOURCE APPRAISAL AND PROGRAM DEVELOPMENT

Question: You are also requesting a decrease of $1.8 million for Resource Appraisal and Program Development activities which eliminates funds for the initiation of studies and pilot projects for the evaluation of RCA stratregies and programs. Were any studies and projects initiated in Fiscal Year 1983? Will they be completed? For the record please provide a list of studies and projects and the cash associated with each.

Answer: SCS and USDA's other conservation agencies are currently reviewing selection and evaluation criteria for pilot projects and special studies. We will implement those pilot projects and special studies that introduce and evaluate innovative approaches and/or technologies for addressing specific soil and water conservation problems. Examples are:

- Protection of exposed cropland;
- Examination of the physical and economic effects of adoption of new technology for soil and water conservation;
- Improvement in consistency between conservation and production programs;
- Conversion of cropland to less intensive use.

The following are some of the criteria that have tentatively been developed for selection of pilot projects:

1. Addresses one or more of USDA's national priorities.
2. Has potential for use in solving resource problems in other parts of the country.
3. Has potential for demonstrating cost-effectiveness and efficiency.
4. Has support of the conservation agencies and organizations involved.
5. Can be administered and operated within existing agency manpower and funding levels.

In consultation with other USDA agencies, SCS has developed guidelines for a "land conversion" pilot project. This project will test the feasibility of converting severely eroding land (class IV, VI, and VII) to less erosive uses as an alternative to traditional erosion control practices that do not involve changes in land use. We have pilot project proposals to test this land conversion concept from Alabama, Idaho, and South Dakota. We expect to move ahead with these in the next few months if a satisfactory plan and the necessary agreements can be developed.

We are also conducting special studies in key locations throughout the country to fill data gaps identified by the 1980 RCA

Appraisal. For example, we are studying the relationship between soil erosion and soil productivity. Such data will enable us to predict future trends in production and erosion.

About $1.5 million in funds appropriated in FY 1983 for resource appraisal and program development has been designated to fund this work. Costs related to specific studies and pilot projects are not known at this time.

Question: Why are no funds requested for fiscal year 1984?

Answer: These are activities which can be postponed until such time as the overall economic situation improves and the Federal budget is less constrained. Work will continue to fulfill the requirements of the Soil and Water Resources Conservation Act, Public Law 95-192, and to continue those studies and pilot projects initiated in fiscal year 1983.

RESOURCE CONSERVATION AND DEVELOPMENT

Question: The budget proposes the elimination of the RC&D program during the present fiscal year. (There is a pending proposal to rescind $5.6 million from the 1983 appropriations which would permit termination of the program. Committee probably will not take action on rescissions; therefore, rescission would not be approved.)

As you know, the RC&D program is a very popular program.

What are your plans if the rescission is not approved? Will you obligate the $5.6 million?

Answer: Mr. Chairman, if the rescission is not approved, we will carry out the full RC&D program as provided for in the 1983 Appropriations Act.

Question: In your opinion, is this not a good program?

Answer: Senator, there is no doubt that the RC&D program has produced many good benefits for rural America over the years. However, the Administration's present policy position on RC&D, as portrayed through the budget, is to terminate the program by the end of fiscal year 1983. This policy had its beginning with a reduced budget proposal for fiscal year 1977.

The current policy results from the fact that the RC&D Program has been the subject of studies by the Department and the General Accounting Office (GAO). Departmental studies were under the Soil Conservation Service, Office of Inspector General, and a Special Task Force. The GAO effort was in accordance with the House of Representatives Conference Report No. 96-553 (October 24, 1979) on agriculture, rural development, and related agencies appropriations for fiscal year 1980.

All the written reports from these studies indicate tht benefits from the Federal investment in RC&D are difficult to pin down. The reviews did reveal that there was no question that some benefits had been realized, but adequate data were not available on which to base the traditional cost/benefit analysis of the Program's value.

Consequently, as we evaluate the priority use of funds appropriated for the Department, it is difficult to defend the continuation of RC&D. With conflicting views on the merits of the program, the Administration, in an era of need for fiscal restraint, believes that the program should be terminated.

Question: Are these sufficient resources to fund all projects that local sponsors have made some commitment to with the understanding that the Federal Government would participate?

Answer: No, Sir. Only those contracts awarded in prior years will be completed. Many RC&D projects are planned in phases and require multiple contracts to complete. New contracts to complete these multi-phase projects would not be let.

Question: Have any contracts been awarded in fiscal year 1983?

Answer: Yes, we have obligated $2.3 million for financial assistance so far this year.

Question: How many contracts were awarded in fiscal year 1982?

Answer: More than 200 contracts were awarded to complete installation of 201 Resource Conservation and Development measures in 1982.

Question: What is your current backlog of unfunded projects?

Answer: The backlog of Resource Conservation and Development measures with completed plans that are awaiting funding is 690 as of September 30, 1982.

Question: If Congress should decide to continue funding the RC&D program in Fiscal Year 1984, could SCS redirect the program to place more emphasis on erosion control which would be more in line with the objectives of the Resource Conservation Act? Would this, perhaps, make the program more effective and be more acceptable to the Administration?

Answer: Yes, Senator, more emphasis on the RCA priorities including erosion control would be looked upon more favorably. However, the effectiveness of the RC&D approach would still be weighed against other approaches for reducing erosion and other competing needs, and the Administration's position on this program may not be altered. I might add that we are already committed to placing additional emphasis on erosion control, water conservation, and upstream flood prevention not only in RC&D but also in all other SCS and USDA conservation programs.

GREAT PLAINS CONSERVATION PROGRAM

Question: The reduction you propose for Fiscal Year 1984 is the same amount you proposed for reduction in Fiscal Year 1983. How did you arrive at that figure?

Answer: The reduction proposed in the Great Plains Conservation Program is primarily for fiscal policy reasons. This is work that can be delayed until Federal deficits are brought under control with less of an adverse impact on overall conservation accomplishments. The amount requested for this program will provide for honoring all commitments to present cooperators, will permit the signing of 300 new contracts; and will also retain a viable program delivery capability for future years when the economic situation improves.

Question: Your notes indicate that approximately 300 new contracts will be signed in Fiscal Year 1984, which would be less than one per county (519 counties in 10 Great Plains States). How many will be signed in Fiscal Year 1983? How much would be needed to sign an average of one per county? How much for 2 contracts per county?

Answer: We estimate that about 739 new contracts will be signed in fiscal year 1983. The average cost of a new contract for FY 1984 is estimated to be $13,700. At that rate it would take about $7.1 million in cost-sharing funds to sign 519 new contracts and $14.2 million for 1,038 new contracts, or 2 per county.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

CONSERVATION COST-SHARING

Question: Mr. Crowell, in your statement, you indicate that since large amounts of acreage will be taken out of production under the payment-in-kind program, not as much cost-sharing funds are necessary. Would it not make more sense to provide more cost-sharing at this point so that farmers may improve acreage while it is out of production?

Answer: Participation in the Payment-In-Kind program requires that a producer protect conservation use acreage from erosion. We view this as one of the many positive aspects of the program and believe it provides an opportunity to further reduce erosion on our agricultural lands. This reduction will be brought about through the application of cover crops, residue management, retention of sod cover and other low cost conservation measures. We believe that farmers will be able to finance some of this work using resources that would otherwise finance production costs on the idle acreage. Some landowners will be interested in establishing complete conservation systems consisting of terraces, waterways and other enduring conservation measures. Although the landowner may be required to use some of his financial resources, Agricultural Conservation Program funds to the extent possible, will be available, through the Agricultural Stabilization and Conservation Service, for cost sharing on eligible practices. In addition, the Soil Conservation Service will place a high priority on the technical assistance it provides to design and implement conservation systems on conservation use acreage. We believe these technical and financial incentives will enhance the farmers' willingness to apply conservation treatment on the acreage removed from production.

CONSTRUCTION AND REPAIR OF SCS-OWNED BUILDINGS

Question: The budget requests numerous changes in the bill language relating to the construction and repair of buildings. How much is currently budgeted for these activities in fiscal year 1984 and how does this compare with the estimated level of activity in fiscal year 1983?

Answer: We estimate that about $160,000 will be spent in fiscal year 1984 on building construction and repair activities on SCS-owned buildings. This compares to an estimated $130,000 budgeted for these activities in fiscal year 1983.

Question: Do you plan on constructing any new buildings in fiscal year 1984? And, if so, where will they be located and at what cost will they be constructed?

Answer: We do not currently plan on constructing any new buildings during fiscal year 1984. An exception to this would only be necessary in an unforeseen emergency situation involving the accidental destruction of an existing building.

ALLOCATION PROCEDURES FOR CONSERVATION TECHNICAL ASSISTANCE FUNDS

Question: Please describe the procedure used for allocating the non-targeted conservation operation funds amongst the states.

Answer: Beginning in FY 1983 the Soil Conservation Service adopted a new allowance system for allocating conservation technical assistance funds to states. The new allowance system is based on 12 factors which are indicators of state resource conditions and needs. The 12 factors and weights applied to each are shown in the following table. This system provides a more objective approach to fund distribution than the old allowance system that was based primarily on historic expenditures.

The new allowance system will be refined and revised as new resource inventory data becomes available.

Table 1

FACTORS AND WEIGHTS USED IN DEVELOPING THE BASE ELEMENT OF THE FORMULA

Factor	Unit	Source	Description	Weight
NONFEDERAL LAND AREA	Acres	NRI	The total acreage of land for which SCS has CO-01 authorities. This factor indicates the extent of resources.	10
FARMS	No.	1979 Ag. Census	An indicator of the potential number of agricultural producers that may require SCS assistance. This factor may be revised at 5-year intervals.	20
CONSERVATION DISTRICTS	No.	NACD 1980	The number of districts with which SCS cooperates and require technical assistance. This is also an indicator of one of the major units of government that SCS works with and through. This factor is revised only when a new district is established where one did not exist before.	10
RURAL POPULATION	No.	Pop. Census 1980	The number of persons living in rural areas (communities of less than 2,500). It is an indicator of that portion of the public that most directly benefits from SCS assistance. This factor may be revised at 10-year intervals.	10
Subtotal			These four factors serve as a transition from the old allowance system to the new one, and are indicators of the extent and principal clientele that SCS works with and through.	50

Factor	Unit	Source	Description			Weight
EROSION	Acres	NRI	An indicator of the soil quantity and quality based on the combined annual wind and water erosion (except gullies) for each land use. Weights are as follows:			26.5
			Erosion Category (Tons)			
			≤5	5-14	>14	
Cropland	Acres	NRI	2.2	10.50	2.30	(15.0)
Pastureland	Acres	NRI	1.0	3.50	.50	(5.0)
Rangeland [1]	Acres	NRI	1.25	1.75	0	(3.0)
Forest land	Acres	NRI	.25	2.50	.25	(3.0)
Other land	Tons	NRI	--	--	--	(.5)
Total	--	--	4.7	18.75	3.05	
			The middle erosion category receives the most weight because this represents the most SCS assistance. The over 14 ton category received the least weight because this area represents only a small proportion of the total acreage and because some of this acreage cannot be treated. The ≤5 ton category weights represent maintenance needs.			

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[1] Actual erosion categories for rangeland are <2, 2-5 and >5.

Factor	Unit	Source	Description	Weight
RANGE CONDITION	Acres	NRI	This factor indicates the acreage of rangeland that is fair to poor condition. Weights are:	2.5
			Fair	(1)
			Poor	(1.5)
RECLAMATION (NON-COAL) PLUS NEW MINING (COAL)	Acres	RCA, NRI	This factor indicates the acreage of non-coal land needing treatment plus the acreage of coal land currently being mined. Coal abandoned lands are excluded because of reclamation authorized under PL 95-87. The result is an indicator of the potential for SCS assistance on mined land.	1.5
AGRICULTURAL LAND CONVERTED TO URBANIZING USES	Acres	NALS	This is an indicator of the need for urban conservation assistance; it reflects the acreage of agricultural land converted to urbanizing uses within the last 10 years.	1.5
ANIMAL UNIT DENSITY ON GRASSLAND	AU's/ Ac.	NRI, Ag. Census 1979	This factor is an indicator of the nonpoint sources of animal waste pollution. A high density is an indicator of too many AU's/land area or of confined operations, while lower densities indicate lesser problems. Large feedlots (point sources) are excluded.	1
PRIME FARMLAND CONVERSION PRESSURE	Pressure Factor	NALS	This factor was calculated by dividing the total acreage of existing prime farmland by the annual rate of loss. The resulting factor is an indicator of pressure on prime farmland.	1.0
Subtotal			Resource Problems and Needs	50
Grand Total				100

Factor	Unit	Source	Description	Weight
FLOODING	Acres	NRI	This factor indicates the acreage of agriculture land subject to flooding. This acreage has a potential for special use, protection, and management of technical assistance.	10
WATER CONSERVATION	Acres	NRI	This factor indicates the existing acreage of agricultural land under irrigation. Weighting is based on three categories of irrigation efficiency:	6.0
			<45%	(3)
			45-64%	(2.5)
			>64%.	(.5)

ALLOCATION OF TARGETED FUNDS

Question: The FY84 budget calls for targeted funds to be spent in 806 counties in 44 states. Are these funds allocated to the states over and above the normal allocation process?

Answer: Yes, targeted funds are allocated to states over and above the normal allocation process.

SPECIAL AREAS

Question: The 1981 Farm Bill authorized a specific, special areas conservation program. Why is this authority not being utilized for targeting conservation activities assuming an equal amount of funds were appropriated specifically for this program?

Answer: In keeping with the Administration's effort to hold down total federal expenditures, no funds were requested in FY 1984 to implement the special areas conservation program. Secondly, the Department has not developed the rules and regulations to implement this process. We estimate that it will require 6-12 months to draft rules, solicit public comment, assess the impact on the environment and issue final rules. While we are working on the rules they do not have a high priority because no funds were requested in the President's budget for this program. In the meantime, we can carry out targeting through the ongoing conservation technical assistance (CTA) program. Our efforts to date since targeting was initiated in fiscal year 1981 have produced significant increases in conservation accomplishments.

Assuming an equal amount of new funds were appropriated for the Special Areas Conservation Program, the program could be effective in dealing with critical problems because it provides new authorities for cost sharing for land use conversions. However, given the need for reducing Federal budget deficits, a higher priority was placed on targeting through our ongoing technical and financial assistance programs rather than initiating an entirely new program delivery mechanism.

Question: Are there any advantages to carrying out the program under the present targeting approach rather than utilizing the "special areas" authority provided in the 1981 Farm Bill?

Answer: The primary advantage of our present targeting approach is that we are able to implement targeting quickly using ongoing programs. In order to implement the Naional Program for Soil and Water Conservation we plan to target 25 percent (5 percent per year) of our agency's appropriated funds by 1987. Redirection of this magnitude requires us to move rather quickly through our ongoing programs.

FINANCING CONSERVATION WORK

Question: Do most farmers find it relatively easy to obtain financing for conservation work? Is there any specific data available regarding this?

Answer: Generally, more and more farmers are encountering difficulty in obtaining financing for conservation work. This is primarily due to the current economic cost-price squeeze in agriculture. I am not aware of specific published data on this subject. Most of our knowledge is based on conversations with our field located people, farmers, ranchers and conservation district officials.

There is some hard data avilable from FmHA which indicates the number of farm mortgage foreclosures is on the increase. This is but one indication of the tough economic conditions facing our nation's farmers.

FARMLAND PROTECTION POLICY ACT

Question: Please describe for the record what has been done by USDA to implement the Farmland Protection Policy Act.

Answer: Thirteen Federal agencies having programs that can contribute in major ways to the conversion of farmland to nonagricultural uses have been identified. These include the Departments of Agriculture, Interior, House and Urban Development, Commerce, Transportation, Army (Corps of Engineers), and Energy; the Environmental Protection Agency; the Interstate Commerce Commission; the General Services Administration; the U.S. Postal Service; the Tennessee Valley Authority; and the Veterans Administration. The Department of Agriculture (USDA) is cooperating with these agencies in its implementation efforts as required in Section 1541 (7 U.S.C. 4202), and Section 1542 (7 U.S.C. 4203) of Public Law 97-98, The Agriculture and Food Act of 1981.

Development of Criteria:

The Department drafted a proposed rule containing the criteria required in Section 1541, 7 U.S.C. 4202, and other guidance. The draft was sent by the Secretary to top executives in the other 12 Federal agencies with a request for their agencies' comments and suggestions. Comments were received from all agencies. They contained a number of objections on the basis that the proposed rule would require of the agency and program applicants an inordinate and unjustified amount of additional paperwork. These comments also contained a number of constructive suggestions to help ease that problem. Subsequently, meetings were held with staff members of those agencies expressing the most severe concerns primarily the Department of Housing and Urban Development, the Veterans Administration, and the Department of Transportation. A revised draft of the proposed rule was prepared which takes into account the concerns expressed earlier. The draft rule sets forth criteria, defines terms used in the law, and identifies technical assistance to agencies of State, Federal, and local governments which will be provided by the Department, if requested, subject to staffing and budgetary limitations. The current draft of the rule is being reviewed in the Office of the Secretary, and when this work is completed, it will be forwarded to the Office of Management and Budget for review. Current USDA plans are to publish the proposed rule upon completion of the review process in the Federal Register for public comment for a period of 60 days. At the end of the comment period, such revisions as seem justified will be incorporated into the rule, and it will be published in final form.

Farmland Information Center:

The National Agricultural Library has been designated the National Farmland Information Center, in fulfillment of Section 1544(b) of the Act, 7 U.S.C. 4205(b). This designation is consistent with other Departmental efforts to make the Library a more active institution initiating programs of information and education.

Technical Assistance and Information:

In meeting requirements of Section 1541(c) of the Act, 7 U.S.C. 4202(c), and Section 1543, 7 U.S.C. 4204, the Department's Soil Conservation Service (SC) has cooperated with State and local officials to develop the USDA Agricultural Lands Evaluation and Site Assessment System. The system is being made available to States and local units of government for their use in implementing farmland protection policies and programs. SCS field offices provide technical assistance through local soil and water conservation districts in using the system. Since July 1982, officials of USDA and State agencies in all States have been oriented in use of the system. Since December 1982, about 400 local units of government in 39 States have requested SCS assistance in developing LESA analyses of farmland in their jurisdictions. In addition, 20 State governments have begun statewide analyses or are planning for them.

SCS is making available, in each of its field offices, a list of lands that meet the definition of farmland in Section 1540(c)(1) of the Act, 7 U.S.C. 4201(c)(1). In addition, SCS is continuing to develop Important Farmland Maps. These maps have been completed for about 1,200 counties in all parts of the country, and maps for an estimated 200 additional counties are under development.

The Farmers Home Administration has implemented the required 2-percent interest rate differential (increase) for projects where development will occur on prime farmland.

USDA Regulation and Results of Reviews:

To assure compliance with the Farmland Protection Policy Act within USDA and to provide continuing guidance to its agencies, the Department issued Secretary's memorandum No. 9500-2 on March 10, 1981. That memorandum is now being converted to a Departmental Regulation to give it greater permanence and to increase its effect. All USDA agencies have reviewed applicable laws and administrative policies and procedures to identify those that might prevent full compliance with the Farmland Protection Policy Act. To date, only one potential problem has been encountered. Section 1540(c)(4), 7 U.S.C. 4201(c)(4), identifies disposing of Federal lands and facilities as one of the activities of Federal agencies covered by other provisions f the Act. This provision of the Farmland Protection Policy Act might be in conflict with separate provisions of law governing the sale of surplus Federal properties.

VOLUNTEER PROGRAM

Question: The SCS has made use of volunteers to assist in its programs. Please describe briefly the extent of volunteer involvement in your current programs and the costs associated with this effort.

Answer: Since May of 1982, SCS has supplemented the regular work force with volunteers. At the end of calendar year 1982, 324 individuals had volunteered their services nationwide. They performed a wide variety of duties, including clerical tasks, mapping, drafting and surveying assistance, serving as rodmen, performing aerial photography duties, assisting with roadside seeding and revegetation, establishing outdoor classrooms, providing SNOTEL assistance, and other similar tasks. We estimate a cost to the agency of $100 per volunteer. This figure is for administrative time and service. At $100 per volunteer, we expended approximately $32,400 in calendar year 1982 for volunteers performing services. With 15,000 hours volunteered in 8 months, we estimate a return to the agency of approximately $120,000. We recognize that the first year has been a start-up period and anticipate a much higher number of volunteers in calendar year 1983.

Question: Do you anticipate continuing this program in FY 1984?

Answer: Comments on use of this program from the states have been favorable and we do plan to continue using it in FY 1984.

DIRECT SCS SPACE LEASING

Question: The notes indicate a request for $675,000 for direct SCS leasing of space provided in previous years by GSA. Please provide additional details as to why this space will be no longer contracted for by GSA and what the reimbursement to GSA in FY 1983 was for this space. Where is this space located?

Answer: SCS, as part of its effort to reduce overhead costs, has been moving out of GSA leased space or negotiating direct lease arrangements for space where these alternatives would result in a lower lease costs. GSA lease costs are established on a regional basis which may merge expensive urban space costs together with less expensive suburban or rural space costs to arrive at a standard rate termed the Standard Level User Charge (SLUC). Since many SCS offices are located in rural areas, we have found that we can lease space directly at a lower cost than through the system. The $675,000 request for FY 1984 is based on our direct leasing turnovers from GSA representing $337,504 in costs for FY 1982 plus a similar estimated amount for FY 1983. A listing of the locations, space footage, and dollar values of the actual lease turnovers is shown on the following table:

State	Number of Locations	Square Footage	Dollar Value
California		10,947	$96,104
Illinois	3	3,996	21,724
Kansas	1	1,000	7,810
Kentucky:			
Owensboro		660	2,440
Winchester		675	3,254
Carlisle		648	2,595
Lexington		1,106	7,510
Total, Kentucky	4	3,089	15,799
Louisiana	4	9,972	37,915
Maine	1	1,550	9,427
Michigan	13	11,833	86,502
Nebraska:			
McCook		1,736	6,302
Grand Island FO		1,610	6,412
Grand Island AO		1,187	7,382
Total, Nebraska	3	4,533	20,096
New Mexico	1	875	8,767
Oregon	1	1,590	10,985
Virginia	1	815	4,075
Washington	1	4,055	11,700
Wisconsin	1	863	6,600
Total, Changes	34	55,118	$337,504

INVENTORY AND MONITORING ACTIVITIES

Question: Please describe briefly what will be accomplished with the funds requested for Inventory and Monitoring in 1984.

Answer: First priority for 1984 Inventory and Monitoring funds will be to complete the publication of 1982 National Resources Inventory data. The 1982 NRI is scheduled for release in September of 1983. These data will then be analyzed for each major land resource area. We will then carefully review the data state by state. As we finalize the publication of national NRI summaries, most states will be preparing state publications of resource data. Careful analysis of the 1982 NRI data will help us efficiently address our additional data needs, as well as, provide us an assessment of the current status, condition, and trends of our national resources.

Second priority will be to carry out selected special purpose inventories and the highest priority data collection activities to fill remaining data voids and support conservation program planning, implementation, and evaluation at the state and local levels.

Ongoing activities include wind erosion and short duration natural phenomena reporting, and planning toward simplifying the next NRI including some redirection for coordinated development of ADP and remote sensing capability.

Question: How will the decrease requested in the budget impact on the current Invntory and Monitoring activities?

Answer: The proposed budget reduction relates to national data collection activities which are done on a cyclical basis, currently every five years, to support National Resource Inventories. This work for the 1982 NRI will be finished during fiscal year 1983. The nect NRI is currently scheduled for fiscal year 1987. Funds for data collection activities will not be needed until we are ready to begin work on that inventory. Other inventory and monitoring activities will continue to be carried out on a priority basis as funds are available.

COLORADO RIVER SALINITY CONTROL PROGRAM

Question: What level of SCS resources are presently being utilized to support the Colorado River Basin salinity control program and how much will be spent in FY 1984?

Answer: In fiscal year 1983 SCS has allocated $500,000 to provide technical assistance on two ongoing Colorado River Salinity Control Projects, the Grand Valley in Colorado, and the Uintah River Basin in Utah. The fiscal year 1984 budget request includes $1.5 million for technical assistance to continue implementation work on the Grand Valley and Uintah Basin projects and to initiate two new projects, the Virgin Valley and Moapa Valley. The 1984 budget request also includes $150,000 for planning studies. SCS has already completed detailed salinity control studies on seven project areas under the River Basin Surveys and Investigations program. Planning activities are being suspended duing fiscal year 1983 because they are so far ahead of the project implementation program. The 1984 budget proposal would resume planning activities on three additional projects. An additional $700,000 is being requested for fiscal year 1984 to initiate program monitoring and evaluation activities needed to ensure the efficiency and effectiveness of the salinity control projects. This would be a new activity in 1984. In total, the budget request of $12.6 million for this program under the new account under the Agricultural Stabilization and Conservation Service would provide $2,350,000 for activities to be carried out by SCS. This would be an increase of $1,850,000 over the current SCS funding level for 1983. The remaining funds are designated for cost-sharing, and extension and education activities.

Question: If the Congress approves the $12.6 million specific request for this program in fiscal year 1984, will SCS require a separate appropriation to support these activities or will SCS funds be included in the $12.6 million?

Answer: Funds for SCS activities in the amount of $2,350,000 are included in the $12.6 million request for the Colorado River Salinity Program and would be transferred from ASCS to SCS each year as appropriations are enacted.

SNOW SURVEY ACTIVITIES

Question: For the past few years, SCS has been installing automated systems for measuring snowfall. Have these installations resulted in any decreased cost for this program to date?

Answer: The installation of the automated system has not to date decreased the cost of the Snow Survey Program. SCS has been correlating snow data collected from the automatic system with data collected from adjacent manual courses. We now feel that the automatic system is correlating sufficiently well with the manual courses to be used to develop forecasts. To date, the data from the automatic system has not been used to generate water supply forecasts.

SCS plans to gradually reduce the manual courses beginning in 1983 until manual courses read by SCS will be virtually eliminated by October 1, 1986. Any savings resulting from the elimination of this work will be needed for ADP costs associated with operating the automated system and to provide the necessary data analysis to support improved water supply forecasts.

TESTING NEW CONSERVATION APPROACHES

Question: The notes indicated that SCS is planning to test the effectiveness of new approaches that encourage land users to practice conservation. Please describe what is being tried, what it will cost, and for how long this experiment will last.

Answer: In consultation with other USDA agencies, SCS has developed guidelines for a land conversion pilot project. This project will test the feasibility of converting severely eroding cropland (class IV, VI, and VII) to less erosive uses as an alternative to traditional erosion control practices that do not involve changes in land use. In return for cost sharing on the conversion to trees or permanent cover crop and the equivalent of one year's average land rent, the farmer enters into a long term conservation easement (10 to 15 years). The cost is estimated between $125 - $150 per acre. The selection criteria for participants ensures that the worst problems will be treated first. Other expected advantages include a much lower cost per acre treated, reduction in commodity surpluses, increases in wood supply and improved targeting of cost share funds.

While the easements will be 10 to 15 years, the pilot projects will be offered for 3 years or less in the selected counties. The maximum cost sharing in any one county is limited to $500,000 for the 3 year period. Pilot projects for Alabama, Idaho, and South Dakota are now under consideration. The total cost is estimated at not more than $1.5 million. Other approaches under consideration for testing include bonus incentives and cross-compliance.

The 1984 budget request deletes funds for the initiation of new pilot projects in 1984 in the interest of reducing Federal spending to promote economic recovery.

PURCHASES OF MOTOR VEHICLES

Question: What is the cost associated with the planned purchase of motor vehicles by SCS in FY 1984?

Answer: We estimate that SCS will purchase $9,000,000 work of vehicles in FY 1984.

Question: Are these vehicles purchased through GSA?

Answer: All vehicles acquired by SCS are purchased through GSA.

Question: Will all new vehicles purchased be American made?

Answer: It is currently our policy to purchase American-made vehicles to the extent possible. However, under current Federal procurement procedures, contracts for purchases of vehicles are awarded to the lowest bidder. Contract bidders offering foreign products are sometimes able to compete successfully for these contracts.

CONSERVATION LOAN PROGRAM

Question: The 1981 Farm Bill authorized a conservation loan program to be operated through the Commodity Credit Corporation. Why has the Administration not requested authorization in the appropriations bill to implement this program?

Answer: There are existing USDA conservation programs which are better able to meet farmers needs. These programs share part of the cost of practice installation with farmers.

The Administration does not believe that the Federal Government should be in the business of lending money for every purpose, and thereby competing with private lending sources. Also, considering current economic conditions and depressed farmer incomes, it is doubtful there would be sufficient demand by farmers to support a conservation loan program. Finally, the Commodity Credit Corporation currently charges Treasury market rates on loans, so in terms of the interest rate charged, farmers would accrue no financial advantage by receiving a loan from the Federal Government.

Question: Please describe the eligibility limitations on the soil conservation loan program of the FmHA which would not exist under the CCC loan program authorized in the 1981 Farm Bill.

Answer: FmHA real estate loans for land and water development, use and conservation are authorized in Section 304 of the Consolidated Farm and Rural Development Act, as amended. Applicants must be unable to obtain sufficient credit elsewhere at reasonable rates and terms, and combined real estate debt to FmHA can not exceed the lesser of the value of security or $200,000 for insured loans and $300,000 for guaranteed loans. Repayment terms are up to 40 years, with interest charged at the Government cost of borrowing.

The CCC soil and water conservation program authorized in the 1981 Farm Bill has no credit elsewhere test, provides for 10 year repayment at the Government cost of borrowing, and sets the maximum loan size at $25,000. Loans over $10,000 must be secured.

QUESTIONS SUBMITTED BY SENATOR CHILES

Question: Secretary Block indicated reducing soil erosion is the #1 priority of the USDA. What improvement could be made in the P.L. 566 small wateshed program to make it more effective in reducing soil erosion?

Answer: Since 1979 we have put additional emphasis on the watershed protection authority in the legislation. We are approving projects with cost sharing for installation of land treatment measures for erosion control. We will continue to look for other ways to effectively address erosion problems under this and other SCS programs. Of course, the reduction of upstream flood damages, which is also one the top three conservation priorities, will continue to be the main focus of this particular program.

Question: Please briefly describe the process by which the SCS allocates funds appropriated for P.L. 566 among the various watershed projects.

Answer: Each State Conservationist submits a request by project and by time frame listing all work expected to be ready that year. Priorities are assigned by the State Conservationist with counsel by the sponsors. National Headquarters then allocates funds based on the assigned priorities and availability of funds.

Question: Currently, what is the average implementation period for P.L. 566 projects?

Answer: The average implementation period is 9.2 years which includes 1.8 years in preconstruction, 5.6 years in construction, and 1.8 years in post construction. Preconstruction includes efforts such as sponsors securing landrights and permits, detailed surveys and designs, developmnt of specifications, and advertising for bids. Post construction includes completion of land treatment, administrative functions to close projects, and necessary waiting periods to assure establishment of vegetative measures.

Question: What are the views of non-Federal sponsors of small watershed projects on the Administration's June 15, 1982, draft cost-sharing proposals? How do you view such cost-sharing requirements in light of P.L. 566 program and its goals of reducing soil erosion?

Answer: It is my understanding that a draft proposal was developed by the President's Cabinet Council and I assume that is what you have reference to. The draft was not transmitted below the Departmental level. Therefore, I have no basis from which to comment on the effects of the proposal and, of course, since we have not been involved, we have not discussed these proposals with sponsors.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

CONSERVATION PROGRAMS

Question: You are proposing a 61 percent budget reduction for the Agricultural Stabilization and Conservation Service. It seems to me that the timing of this reduction may be a little off. It occurs during a period of time when the general public feels conservation is an important national priority. The Agricultural Conservation Program, the Forestry Incentives Program and the Water Bank Program are highly desirable and popular conservation programs. If Congress happens to restore funding for these programs, we are accused of fueling inflationary budget increases. On the other hand, if we don't fund these programs, our agricultural constituents in the 50 states and territories are penalized and the rate of deterioration of the nation's production base increases.

Please explain to us why these programs have been reduced and, in fact, why the Forestry Incentives Program and the Water Bank Program are for all practical purposes discontinued?

Answer: The proposed reduction for the consolidated ACP was motivated by the need for fiscal restraint in order to reduce the Federal deficit and promote continued economic recovery. The ACP was selected for a temporary cutback because cost-share activity is easier to resume when conditions permit than activities under other conservation programs where reduced funding would result in RIF's of trained personnel.

We believe we can weather a temporary reduction in ACP funding without seriously damaging our resource base, especially with the PIK program diverting land from production to conservation use. The acreage removed from production is likely to be the most erosion prone; thus the need for Federal cost-share assistance on cropland will be reduced. PIK program participants who install temporary measures agree to do so at their own expense, which is offset by savings in production costs.

While we realize that we can expect fewer forestry practices and water bank agreements for the duration of the ACP funding reduction, we continue to support the consolidated ACP concept. The ability of the State and county committees to respond to local conservation priorities will enhance program effectiveness at any funding level.

Question: How many of the states now actively participating in the Forestry Incentives Program will actually take funds from the reduced Agricultural Conservation Program for the Forestry Incentives Program?

Answer: The Forestry Incentives Program is currently operating in 47 States. We cannot estimate how many of these States will continue the FIP with the limited funds available. The final decision will be made at the local level by the ASC State and county committees based on their conservation needs and priorities.

Question: How many of the States now actively participating in the Water Bank Program will actually take funds from the reduced Agricultural Conservation Program for the Water Bank Program?

Answer: The Water Bank Program is currently operating in 10 States. For those States, the formula for computing FY 1984 allocations for the consolidated ACP will include a pro rata amount for water bank practices. Each State and county committee will then determine the amount of the funds to be used for the Water Bank Program.

Question: Wouldn't it be better to target some funds to the Forestry Incentives Program and the Water Bank Program by having individual line item entries?

Answer: We believe the consolidated approach will achieve the most conservation results per dollar. The State and county committees are best able to assess local conservation problems. The single allocation for all conservation programs would provide State and county committees complete flexibility to identify conservation problems, assign priorities to applications for assistance, and direct funds to the most critical needs.

Question: The Water Bank Program has been in operation for over 10 years now. How many contracts will be expiring in 1984 that could be renewed for 10 more years with a minimum of cost?

Answer: On December 31, 1983, 951 contracts signed in calendar year 1974 will expire.

Question: What percent of these could be expected to sign renewals?

Answer: We estimate that 75 percent of the landowners will offer their land for renewal of agreements.

Question: How many dollars would be needed just to meet these needs?

Answer: If all of the 1974 agreements were renewed, it would require about $14 million.

Question: Are funds needed to serve existing contracts that will not be expiring?

Answer: Yes, about $150 thousand will be needed to provide technical assistance to service existing contracts. Payments to farmers for the life of the contract are fully funded when the contract is signed.

Question: The Soil Conservation Service, in line with the Resource Conservation Act program, is increasing the percent of funds targeted to critical eroding areas. ASCS has also been targeting Agricultural Conservation Program funds to these areas to establish a joint thrust. Does the 1984 budget provide for targeting funds?

Answer: Under the proposed budget of $56 million for ASCS cost-sharing programs, we would not operate a targeting program at the National level. It would be more appropriate to allocate available funds to the State ASC committees and allow them to address their local conservation needs on a priority basis.

Question: What level of funding would allow continuation of targeting?

Answer: The National Program for Soil and Water Conservation developed pursuant to the Resources Conservation Act calls for a base level of conservation cost-share assistance of 75 percent of current funding levels for all States and counties. Targeting could be carried out at any level above this base.

Question: Provide a table for the record of how much less each State would get under the $56 million total as compared to the FY 1983 level.

Answer: The following table shows, by State, the estimated difference between FY 1984 allocations under the consolidated ACP and the sum of FY 1983 allocations as of March 1, 1983 for ACP, FIP, and WBP. Allocations for the Emergency Conservation Program have been excluded since they will be issued on an as-needed basis.

Estimated Decrease in State Allocations for
ACP, WBP, and FIP between FY 1983 and FY 1984

State	Estimated Decrease ($000)	State	Estimated Decrease ($000)
Alabama	4,528	Nevada	757
Alaska	167	New Hampshire ...	440
Arizona	1,312	New Jersey	437
Arkansas	3,254	New Mexico	1,498
California	4,510	New York	3,155
Colorado	3,696	North Carolina ..	3,503
Connecticut	261	North Dakota	4,909
Delaware	280	Ohio	2,919
Florida	3,454	Oklahoma	4,070
Georgia	4,589	Oregon	3,218
Hawaii	345	Pennsylvania	3,025
Idaho	2,738	Puerto Rico	412
Illinois	4,436	Rhode Island	112
Indiana	3,174	South Carolina ..	2,600
Iowa	5,904	South Dakota	2,880
Kansas	4,195	Tennessee	3,865
Kentucky	3,408	Texas	12,799
Louisiana	3,218	Utah	4,636
Maine	1,859	Vermont	731
Maryland	759	Virginia	2,744
Massachusetts	386	Virgin Island ...	13
Michigan	2,935	Washington	3,643
Minnesota	6,300	West Virginia ...	1,093
Mississippi	4,785	Wisconsin	4,364
Missouri	5,959	Wyoming	1,610
Montana	4,015		
Nebraska	4,173	Total	154,073

EMERGENCY CONSERVATION PROGRAM

Question: No funds were appropriated in fiscal year 1983 because there was a carryover unobligated balance of approximately $27.8 million at the end of fiscal year 1982. How much of those funds do you anticipate needing in 1983?

Answer: As of March 15, we have an unallocated balance of $14.9 million. We anticipate that this balance will be sufficient to cover ECP needs for the rest of the fiscal year. However, as you know it is impossible to predict the level of disasters that may occur.

Question: How much of the Emergency Conservation Program funds are projected for fiscal year 1984 for the Emergency Conservation Program?

Answer: For fiscal year 1984, $3 million of the $56 million consolidated ACP budget is earmarked for the Emergency Conservation Program. In addition, any ECP carryover unobligated balances at the end of FY 1983 would be available for fiscal year 1984.

COLORADO RIVER BASIN SALINITY CONTROL

Question: It is my understanding that the fiscal year 1984 budget proposes a separate appropriation account to fund the Colorado River Salinity Control Program. What is the amount needed for fiscal year 1984 and what will these funds be used for?

Answer: For FY 1984, we are proposing a single appropriation of $12.6 million in the ASCS budget to consolidate USDA funding for the Colorado River Basin Salinity Control Program.

The funds will be used to continue the Grand Valley, Colorado, and Uinta Basin, Utah, projects and to implement two new projects -- Virgin Valley in Nevada and Arizona, and Moapa Valley in Nevada.

Question: Has legislation been proposed to set up a separate account? If not, when can we expect that?

Answer: Proposed legislation has been sent to OMB for their review and approval.

Question: Will the SCS and the Extension Service continue to be involved in this program? To what extent?

Answer: Yes, SCS and Extension Service will continue to be involved. Of the $12.5 million, ASCS will use $10 million for cost-sharing with producers; $2.3 million will be transferred to the Soil Conservation Service for planning, technical assistance, and monitoring and evaluation; and $200 thousand will be provided to the Extension Service for educational activities.

DAIRY INDEMNITY PROGRAM

Question: As you know, the Appropriations Committee has disapproved the deferral of the $7 million for the Dairy Indemnity Program appropriated in fiscal year 1983. Would you please bring the Committee up to date on the situation in Hawaii?

Answer: Several legal questions the Department had concerning dairy claims from Hawaii were resolved in mid-January. At that time, we requested that the Hawaii dairy producers refile their FY 1982 claims by February 28. To date, many of the producers have not completed all the documentation necessary for processing the claims.

Our State ASCS Office will begin sending completed claims to the National office during the week of March 14. We anticipate that payments on approved claims will begin some time in mid-April.

Question: Will the $7 million be sufficient or will an additional amount be required in fiscal year 1984?

Answer: As stated, many of the dairy producers are still in the process of completing documentation on their FY 1982 losses, so complete figures are not available. However, our latest estimate of FY 1982 claims is approximately $6.9 million. Since FY 1983 claims have not yet been filed, it is too early to determine the amount of claims for FY 1983.

SALARIES AND EXPENSES

Question: Mr. Rank, in this time of additional programs such as PIK being put into place, ASCS is requesting a reduction of nearly $4 million in the appropriation for salaries and expenses. Additionally, you request $6.6 million less in your transfer from CCC. How do you justify these reductions?

Answer: The net reduction of $10.6 million includes savings of $7.2 million related to consolidation of our conservation cost-sharing programs and proposed legislation for ASC county and community committee elections. The balance of the reduction primarily relates to anticipated decreases in our county office workload for price support activities.

However, our Salaries and Expenses budget does not include estimates for the PIK program. At the time our budget was submitted, we did not have sufficient data to determine the impact of PIK on our county office workload.

Question: Will you have adequate funds and staff to service the programs we have in place and expect to be initiated before or during fiscal year 1984?

Answer: We will be reassessing our workload following the closing date for PIK signup. The workload projections in our budget do not include the PIK workload for either FY 1983 or FY 1984. Our workload assessment will give us a current estimate of resources needed to administer programs we have in place as well as the PIK program. We will inform the Congress of the results of this assessment.

Question: How much, if any, of the decrease is related to reductions in the conservation cost-sharing programs?

Answer: The decrease related to the consolidation of the conservation cost-sharing program is $1.3 million.

Question: The 1984 budget proposes a reduction of $18.6 million for operating costs which you indicate are due to improved operating efficiency and reduced county office workload.

Would you please elaborate for me.

Answer: We have made a conscious effort to streamline paperwork and recordkeeping wherever possible. In FY 1984 we will reduce costs and time in several areas. By operating the proposed consolidated conservation cost-share program under a single appropriation we will consolidate and streamline recordkeeping and reporting. Savings and efficiencies are realized in compliance activities by using more high altitude aerial photography, which costs approximately 30 percent less to produce and is readily adaptable to the faster, more efficient digital acreage planimeters. Our new facsimile communication system will take advantage of lower telephone rates and fewer dedicated lines, reducing annual costs by 18 percent. Improved reporting and recordkeeping procedures for mail and administrative payments will also save time and administrative costs.

In addition, county office workload associated with establishing commodity yields and bases will decrease by about 35 percent reflecting a new workload time frame for establishing crop year yields and bases. We also anticipated prior to the Payment-in-Kind Program fewer loans and reduced county office loan activity workload. We will be making a revised workload assessment reflecting PIK activities in the near future and will provide Congress with the assessment results.

Question: You are proposing legislation which would reduce the cost of ASC county and community committee elections.

Please explain how the new system would be different from the procedure used now.

Answer: Our legislative proposal would streamline the system for selecting members to serve on ASC county and community committees. The main differences between the current and proposed systems are the frequency of elections, the length of terms for community committee members, and the selection method for county committee members.

Under the current system, each community holds an annual election to choose members to serve on its ASC community committee. Community committee members meet in an annual county-wide convention to select a member to serve a 3-year term on the ASC county committee.

The proposed legislation would replace the current selection process with a single election to be held in each community every 3 years. The legislation would extend community committee terms to 3 years and provide for direct election of county committee members.

This proposal would not change the role of county and community committees in administering farm programs. It would result in annual cost savings of approximately $5.9 million.

Question: What kind of support does this new election procedure have at the local level?

Answer: The National Association of Farmer Elected Committeemen, NAFEC, supports the concept of holding elections every 3 years.

Question: Has this proposal been submitted to Congress?

Answer: No, this proposal has not yet been submitted to Congress. It is currently undergoing review in the Department's Office of General Counsel.

PERSONNEL

Question: What effect would the proposed reductions have on personnel levels of the ASCS?

Answer: Our 1984 budget proposal includes a reduction of 803 county office staff years. We expected to accomplish this reduction by less use of temporary employment during 1984. However, we must emphasize that our staff year and funding projections shown in the budget do not consider the impact of the PIK workload. We will be updating our estimates to consider resources needed to administer PIK after the sign-up is completed.

Question: How would the proposed cuts be distributed by State?

Answer: At this time it is difficult to predict how any proposed reductions for 1984 would be distributed by State. As you are aware, ASCS administrative needs are heavily impacted by changes in the commodity programs, such as PIK. Administrative funding and staffing in a particular State will be determined by the workload level for FY 1984 which will be heavily influenced by updated workload projections for each county office.

Questions: If Congress does not approve these cuts, what is the dollar amount needed to continue these programs at the current level?

Answer: The budget reduction includes $1.3 million related to the consolidated conservation program and $5.9 million related to the legislative proposal for ASC committee elections. The balance of the reduction pertains to commodity program activities. Since PIK was not considered in our Salaries and Expenses Budget, we will be updating our estimates after sign-up to reflect resources needed to implement PIK and continue other commodity program activities.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

AGRICULTURAL CONSERVATION PROGRAM

Question: Currently, the ACP Program has a $3,500 payment limitation per participant. Is this low level acting to discourage participation in this program?

Answer: The $3,500 per person per year maximum payment limitation under ACP has not discouraged participation in the annual program. Our statistics show that less than 5 percent of the ACP participants in 1982 received the maximum payment. However, this limitation does restrict the amount of conservation work that can be accomplished in one year under long-term agreements. We have proposed in our 1984 budget that the appropriation language be changed to exempt long-term agreements from the $3,500 limit. The limitation would be set by the Secretary as provided by the Soil Conservation and Domestic Allotment Act.

Question: Should the Congress provide $190 million in fiscal year 1984 for ACP, what would the optimum level be for targeting to maintain an enhanced level in conjunction with the targeting of SCS activities?

Answer: For FY 1983, approximately 10 percent of the ACP appropriation is targeted. Under the National Program for Soil and Water Conservation, targeted financial and technical assistance for ASCS and SCS is scheduled to increase by 5 percent each year until a level of 25 percent is reached by 1986. Under this plan, FY 1984 targeting would be 15 percent, or $28 million for ACP with an appropriation of $190 million.

EMERGENCY CONSERVATION PROGRAM

Question: What is the current estimate of unobligated emergency conservation program funds that will be available in fiscal year 1984?

Answer: We do not have a firm estimate at this time. As of March 15, 1983, we have an unallocated balance of $14.9 million. With the excessive rains and flooding in California and the anticipated spring rains and snow melt in other areas, there will be a need for Emergency Conservation Program funds, but we do not know how much. And, of course, we cannot predict other disasters that may occur during FY 1983.

SALARIES AND EXPENSES

Question: The notes indicate that in fiscal year 1984 $14.5 million will be spent for object class 25, Other Services. This represents almost a 40 percent increase in this category of spending since FY 1982. Please explain this large increase and what these funds will be used for in FY 1984.

Answer: The estimated increase for object class 25 from FY 1982 to FY 1984 primarily reflects an increase in rate charges for the three Departmental computer centers as well as increased usage. The increase also reflects processing costs for new applications such as the newly implemented joint FNS/ASCS system on acquisition, storage, and transportation of commodities for domestic donation programs and applications for analysis of commodity, deficiency, and other CCC and ASCS programs.

The FY 1984 estimate also includes an increase for reimbursable flying contracts for updated aerial photography. Other costs, such as GSA guard service, maintenance contracts for ADP equipment and other equipment, and GSA job orders, make up the balance of the projected increase.

Question: The notes indicate that there will be a significant savings in fiscal year 1984 "due to improved operating efficiency' in the county offices. What is being proposed that will bring about this increase in efficiency?

Answer: We will increase efficiency by operating the proposed consolidated conservation cost-share program under a single appropriation, using more high altitude aerial photography, and improving reporting and recordkeeping procedures involving mail and administrative payments.

COUNTY COMMITTEES

Question: Are any changes being proposed in the county and community committees in fiscal year 1984?

Answer: We are proposing legislation which would streamline the system for selecting ASC county and community committee members. The proposal provides for direct election of county committee members, 3-year instead of 1-year terms for community committee members, and elections scheduled every 3 years instead of annually in each community.

The proposal in no way would diminish the role of these committees in the administration of farm programs.

COMMODITY CREDIT CORPORATION

FOREIGN AGRICULTURAL SERVICE

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

STATEMENTS OF:

- J. DAWSON AHALT, ACTING DEPUTY UNDER SECRETARY, COMMODITY PROGRAMS
- ALAN T. TRACY, DEPUTY UNDER SECRETARY, INTERNATIONAL AFFAIRS
- RICHARD A. SMITH, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE
- JOAN S. WALLACE, ADMINISTRATOR, OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

ACCOMPANIED BY:

- EVERETT RANK, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
- MELVIN E. SIMS, GENERAL SALES MANAGER AND ASSOCIATE ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE
- ROBERT SHERMAN, DEPUTY BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

CHAIRMAN'S OPENING REMARKS

Senator COCHRAN. If the second panel will come to the table, we will proceed with the second part of the hearing.

The second panel we will hear from this morning will discuss various international activities and the commodity programs of the Department of Agriculture.

The Commodity Credit Corporation is a wholly owned Government corporation responsible for stabilizing, supporting, and protecting farm income and prices. To help maintain balanced and adequate supplies of agricultural commodities, the CCC has broad financing authority, which includes the administration of direct and guaranteed export credit loan programs. Its activities are carried out primarily by personnel of the Agricultural Stabilization and Conservation Service.

Congress provides an appropriation for ASCS salaries and expenses to conduct its multifaceted stabilization mission. The request for that account for fiscal year 1984 is $51.9 million, down $3.9 million from the amount provided last year. In addition to the direct appropriation, Congress also provides for the transfer of funds from CCC to ASCS salaries and expenses. This transfer request for fiscal year 1984 is $308.2 million, down $6.6 million from the amount provided last year.

The Commodity Credit Corporation is reimbursed by an appropriation for net realized losses incurred primarily due to the expenses of farm income and price support programs. The President's budget request for fiscal year 1984 is $10.2 billion. This is approximately $6 billion less than the total reimbursement for fiscal year 1983, including the $5.7 billion supplemental which is now pending in Congress.

The Foreign Agricultural Service conducts activities aimed at expanding foreign markets for American farm products and reports on agricultural and trade activity around the world. The presence of agricultural counselors, attachés, and trade officers in approximately 70 countries enables the United States to obtain and analyze agricultural information that is vital to our farm economy. The request for FAS is $85.2 million, an increase of $10.2 million over the fiscal year 1983 appropriation.

Associated with the Foreign Agricultural Service is the General Sales Manager, whose office is responsible for coordinating the policies and programs of Public Law 480—the Food for Peace program—and various other export sales programs. Funds are transferred from CCC for the expenses of this office. The request this year is for $5.9 million, up slightly from last year.

Under the Public Law 480 program, facilities and funds of the CCC are used to carry out programs for exporting agricultural commodities. Congress provided appropriated funds to cover partially the costs of titles I and III, credit sales, and title II, commodity dispositions abroad. The request for Public Law 480 this year is $1.052 billion. That represents $402 million for titles I and III, and $650 million for title II. The request reflects an increase of $24 million in titles I and III funds over the 1983 levels.

The Office of International Cooperation and Development serves as USDA's clearinghouse for cooperative international research and exchange in agriculture. Additionally, it provides assistance to developing nations which are attempting to improve their agricultural production and rural development capabilities. The OICD request for fiscal 1984 is $4,016,000, which is $107,000 less than the 1983 level.

INTRODUCTION OF WITNESSES

We want to welcome to the subcommittee Dawson Ahalt, Acting Deputy Under Secretary for Commodity Programs; Alan Tracy, Deputy Under Secretary for International Affairs; Everett Rank, Administrator of the ASCS; Richard Smith, Administrator of FAS; Melvin Sims, General Sales Manager; Joan Wallace, Administrator of OICD; and Bob Sherman, USDA Deputy Budget Officer.

We have statements from all of you, which we appreciate very much, and all of those will be made a part of the record. I would ask you to make any summary comments you feel are indicated at this time.

You may proceed. Who wants to go first? Mr. Tracy?

Mr. TRACY. Mr. Chairman, in the interest——

Senator COCHRAN. Why don't we do the commodity programs first; then we will get to the international aspects. Mr. Ahalt?

[CLERK'S NOTE: Mr. Ahalt's prepared statement appears on page 421.]

CCC OPENING REMARKS

Mr. AHALT. Thank you, Mr. Chairman. I want to thank you for the opportunity to appear here today, and I appreciate your letting us talk about the commodity side first.

I would just like to emphasize one point that you mentioned, and that is the need for a supplemental for the Commodity Credit Corporation. In recent weeks, we have been spending as much as $300 million a day to support American agriculture through the CCC commodity loan and direct payment programs. Despite the fact that we have already had appropriated $10.5 billion this year, CCC will need additional funds to operate these programs.

There have been several comments already made this morning about the payment-in-kind program, Mr. Chairman, and I am not going to go into it except to say this is one of the programs that has been receiving top priority in the Department of Agriculture. Mr. Rank and the entire Agricultural Stabilization and Conservation Service have really been putting forth a yeomanly effort to operate this program.

That is all the comment that I plan to make, Mr. Chairman, and I will turn it over to Mr. Rank.

Senator COCHRAN. Mr. Rank?

Mr. RANK. Mr. Chairman, I previously asked that my prepared statement be entered into the record, and I stand ready to answer any questions that you might have.

[CLERK'S NOTE: Mr. Rank's prepared statement appears on page 424.]

PIK PROGRAM GUIDELINES

Senator COCHRAN. When we were talking about conservation a moment ago, we went into a little bit of the payment-in-kind program activity and its impact on conservation. I know that you won't know how to assess the impact of the payment-in-kind program on farm income and the like until after you have received these reports from your local offices and have had a chance to assess them. There was some indication that at the last minute there may be a rejection of whole-base bids or a reassessment of some of the guidelines. Has there been any change in the payment-in-kind program guidelines or in your plans for its implementation?

Mr. AHALT. No, Mr. Chairman, there has not. Tomorrow, we will be reviewing the reports in the basic additional 10- to 30-percent part of the program, and the Secretary will make an announcement either Wednesday evening or Thursday morning on our policy with respect to whole-base bids. We are hopeful, Mr. Chairman, that we will be able to accept a goodly number of those bids. We have made no major policy change. Our design and objectives of this program remain the same as they were when the program was announced by the President; that is, to adjust supply in line with demand to get an improvement in our production and stocks problem.

ASCS SALARIES AND EXPENSES

Senator COCHRAN. I am a little puzzled by the request in the budget for a reduction in the amount needed for salaries and expenses for ASCS. A moment ago, we were talking about the fact that you had to mobilize a veritable army of people to handle all the applications and the phone-in program to answer questions farmers had about payment-in-kind. I don't see how we could manage that program and still come out needing less money for salaries and expenses.

Mr. RANK. Mr. Chairman, the extra salary and expense costs associated with the PIK program are not figured in the budget we have presented. The budget had to be prepared before it was possible to analyze that. As I stated earlier, we are analyzing the impact of the PIK program on our workload, and if we need more money, we will be coming forward with a request.

PRICE SUPPORT FOR SOYBEANS

Senator COCHRAN. OK, thank you very much.

One question I keep hearing when I go back to Mississippi, and from other parts of the country too, is why isn't something being done by the Government to help the economic situation for soybean farmers? I know you have an answer that reflects that you couldn't administer a program like payment-in-kind for soybean farmers, because you don't have approved yields filed with the local offices like you do with some of these other programs, and you don't have enough surplus commodities to use in a payment-in-kind incentive program. Is there anything being contemplated by the administration to try to help support or to bolster the soybean price to farmers?

Mr. AHALT. Mr. Chairman, I know that has been a concern of yours and of soybean producers in your area. We have discussed the matter with various people, including producers in the soybean industry, and it seems from those discussions that, by and large, the bulk of these producers do not seem to favor any kind of acreage adjustment program. Now, I think the reason that that seems to be the consensus of these soybean producers is that they are affected by the existing program. We are getting a sufficiently good signup in the basic corn program; therefore, we believe we are likely to get less planting of soybeans because they have to compete for that same acreage in parts of the corn belt. Those expectations were confirmed in our February planting intentions report which indicated that farmers would reduce their soybean plantings for 1983 by about 2 million acres. The market recently has reflected that expectation by showing some strength. But we do understand your situation and continue to talk to people about this problem.

Senator COCHRAN. Well, if the market would get up to about $7.50 a bushel, the problem would go away.

Mr. AHALT. We would all feel a lot better, Mr. Chairman.

CCC SUPPLEMENTAL REQUEST

Senator COCHRAN. Thank you very much for being here to talk about that part of the budget request.

We have included in the jobs bill the Commodity Credit Corporation supplemental appropriation that the administration is requesting. I hope we will be able to defend that on the Senate floor and that there won't be any problems. I don't know what will happen if and when we go to conference. Why is it that the administration is now requesting prospective appropriations for the CCC rather than the previous practice of asking for an appropriation to reimburse the Corporation for net realized losses?

Mr. RANK. Mr. Chairman, because of the low farm prices in the last year, our borrowing authority was tied up in loans to the tune of around $20 billion. We need to have our anticipated losses restored this year, so we can continue to operate the Commodity Credit Corporation through fiscal 1983. We have today approximately $2.5 billion of available borrowing authority. We have asked for reimbursement of $5.7 billion of our anticipated losses through this period, so we can continue to operate the programs that Congress has asked us to operate.

PROPOSED TARGET PRICE FREEZE

Senator COCHRAN. Is the amount being requested for CCC affected at all by the administration's request that the Congress agree to freeze target prices?

Mr. RANK. I don't believe there is any correlation between the two, Mr. Chairman.

Senator COCHRAN. There probably is.

Mr. AHALT. I believe not, Mr. Chairman, because we are asking to freeze target prices at the 1983 level, which would affect 1984.

Mr. RANK. But the $5.7 billion is requested for 1983. We are talking about freezing the 1984–85 targets at the 1983 level.

Senator COCHRAN. But it would affect the cost of farm programs in 1984?

Mr. RANK. Certainly.

Mr. AHALT. But the savings get greater in the out years, Mr. Chairman.

Senator COCHRAN. I notice the Budget Committee here in the Senate took issue with that.

Mr. AHALT. We know that also, Mr. Chairman.

Senator COCHRAN. In the paper this morning, it says they didn't go along with it, and I doubt that Congress is going to.

OUTLOOK FOR PIK PROGRAM

We talked about PIK before when we had the followup hearings in my other subcommittee, and I think we have enough of an information base on which to make decisions regarding the Commodity Credit Corporation and the PIK program and its effect on the cost of these programs to the Government. I think it is encouraging to notice that if we do have participation at the level that is anticipated in PIK, we are going to actually be saving the Government money and at the same time be increasing income to farmers. That is a wonderful result, and I think you are all to be commended for the hard work that has gone into the development of that program, the implementation of it, presenting it to Congress, defending it around the country, and helping educate farmers about it. I think so far it has been a big plus. I find that farmers I talk to seem more encouraged now about the future than they have been in the last 2 years, and it is hard to get farmers encouraged about a lot of things sometimes because so many things can go wrong—the weather, marketing disaster, and the rest. But there is a wave of optimism out there in the farm community, and I think you are all to be commended for contributing to that.

EXPORT CREDIT REVOLVING FUND

I have one last question about the Commodity Credit Corporation and about the export credit fund. We are being asked from time to time to provide money for an export credit revolving fund. What is your response to whether or not there are any funds needed for that kind of activity?

Mr. TRACY. Mr. Chairman, the authority that was included in the Supplemental Appropriations Act of last September and also the authority contained in the Helms amendment to the Omnibus Reconciliation Act last September permitted us to proceed with our blended credit program. We are using these authorities to use CCC funds for the direct loan portion of that blended credit. Those funds are not set up in a separate revolving fund. When those funds are repaid, they would return to the general treasury rather than go back into the program. This is the direction we have at this point. We do not have a revolving fund; although, I realize in some ways the CCC itself is a rather large revolving fund.

DAIRY MARKETING DEDUCTION

Senator COCHRAN. I notice the dairy fee deduction—the 50 cents per hundredweight—is a matter tied up in litigation. This is possibly going to affect the amount needed to fund CCC. What is the expectation at this time about how that is going to be resolved? Is that something you could predict at this point?

Mr. AHALT. Probably not with very much accuracy, Mr. Chairman, except to say that we are working on getting it untied and hope to have an announcement relating to this issue very soon, because it is important and has a present impact on the budget, as you pointed out.

Senator COCHRAN. I understand that if the fee is not collected, there could be a need for an additional reimbursement to CCC of about $2.2 billion in the next fiscal year.

Mr. AHALT. That is correct.

Senator COCHRAN. Senator Burdick, I was going to dismiss Mr. Ahalt and Bud Rank at this point unless you have some questions about the commodity programs.

SUMMER FALLOWING PROVISIONS OF PIK PROGRAM

Senator BURDICK. Thank you, Mr. Chairman. I just have a question or two.

First of all, I agree with the chairman that the PIK program has been well received. In my State, we have two problems that maybe you can shed some light on the solution. The question in North Dakota, which you maybe even acknowledge, is in a lot of summer fallow practices; summer fallow was half their land. They are contending under this that they may have to summer fallow on summer fallow. Is there any adjustment that can be made for these people who have these practices? I am afraid a lot of those people won't sign up.

Mr. AHALT. Senator Burdick, I will make a comment, and maybe Mr. Rank would also like to comment on this.

Producers in your part of the country, and also in some of the western hard wheat areas, are concerned about the rules relating to summer fallowing. Our problem has been that in order to make the PIK program effective, we have to get some additional reduction from those producers, and we did modify the program this year to require that the acreage that goes into conservation use be acreage that would have otherwise been planted. That was the only way we could put a program together that would be effective in reducing supply to more closely balance demand. I know that producers in your area would like to see our program designed differently. I think the only thing we can say at this point is that we are willing to listen to them about their concerns for the next time around, but we really can't make an adjustment in 1983.

Senator BURDICK. What about the next time around; have you projected next year?

Mr. AHALT. Our expectation has been, Senator Burdick, that in 1983 we are not likely to get the adjustment in supply that we need. However, I would say that before we really begin looking at 1984, we have to see what kind of signup we have this year. As we were saying earlier, we will issue a report 1 week from today which will indicate the extent of signup. My guess is that we will need some kind of program next year, but things could develop to change that.

Senator BURDICK. In other words, there won't be any changes in regulation or anything else that might affect these summer fallowing farmers?

Mr. AHALT. Senator, we are in a position where we can't make any changes this year if we are going to have an effective program.

EXCLUSION OF BARLEY FROM PIK PROGRAM

Senator BURDICK. I might ask the same question about barley. I am giving you the easy ones today.

Mr. AHALT. Yes, you are, Senator. I know that barley is also an issue in your area. We took a hard look at barley before we announced the program and again afterward, because producers did come in from your part of the country, from the Far West, regarding the barley situation. At the time we announced the program, we did not believe that the barley situation was as critical a situation as that of the other commodities, and therefore, we did not include barley in the program. It now appears that the program is a bit out of balance and that for 1984 we will have to take a hard look at it. Our barley exports have not been moving as well as we would like, and we have been disappointed in that. Again, the only thing I can say to you at this time is that we will give it a hard, honest assessment for 1984.

Senator BURDICK. No changes in 1983; will you look at it in 1984?

Mr. AHALT. Yes, sir.

Senator BURDICK. Thank you very much.

Senator COCHRAN. Thank you very much.

[The following questions were not asked at the hearing but were submitted for response for the record:]

COMMODITY CREDIT CORPORATION

QUESTIONS SUBMITTED BY SENATOR COCHRAN

CCC REIMBURSEMENT FOR NET REALIZED LOSSES (BA)

Question: USDA farm programs have rapidly become a huge expense for the Federal Government and a source of nearly uncontrollable draw-down on the resources of the Commodity Credit Corporation (CCC). Ironically, good production years for our farmers, such as we have experienced recently, translate into low prices and a multitude of problems associated with surplus stocks. Last year, Congress increased CCC's authority to borrow from the Treasury from $20 billion to $25 billion, and also reimbursed CCC nearly $10.5 billion for net realized losses. These expenses were basically incurred as a result of costs associated with our farm programs. To carry CCC through the end of this current fiscal year, the Administration has submitted a supplemental request of $5.7 billion -- bringing the total figure for fiscal year 1983 to $16.2 billion. On top of that, the request for fiscal year 1984 is $10.2 billion. Are these figures in line with your current projections of farm program costs for the rest of fiscal year 1983 and for fiscal year 1984?

Answer: Yes, they are in line with expected losses. Commodity Credit Corporation is requesting an urgent supplemental of $5.7 billion for restoration of FY 1983 losses not yet appropriated for. In FY 1984, we are requesting $10.4 billion to reimburse the Corporation for projected FY 1984 losses. While these requested appropriations do not exactly match projected farm program outlays, it should be noted that there were remaining balances of CCC borrowing authority taken into consideration in formulating the appropriation requests.

Question: On the other hand, are these projections realistic enough to ensure that there will be adequate funds to pay our farmers under the farm programs we do have in place?

Answer: Yes, based on current estimates, we feel that these amounts would be sufficient to enable CCC to finance its projected program obligations under current policy. However, such external forces as weather and market conditions directly impact CCC outlays and could cause variations in our estimates.

COMMODITY CREDIT CORPORATION OUTLAYS (CCC)

Question: The President's budget places agricultural price support outlays for the period fiscal year 1977 through 1981 at an average of $3.9 billion per year. But, for fiscal years 1982 through 1987, outlays are projected to average $12.1 billion annually. In fiscal year 1983 alone, estimates for CCC outlays have bulged from an original estimate of $1.85 billion, to a mid-session review estimate of $7.692 billion, to a revised estimate of $18.255 billion. How do you explain these sudden increases, plus the fact that the projection is for continually high outlays in the "out years"?

Answer: Several factors have come together to cause downward pressure on farm commodity prices, and thus major increases in price support outlays. The major factors have been large global supplies; global recession; increasing value of the dollar; unfair trade practices by the European Community, Japan, and others; and financial difficulties of many of our major importers. Under current programs, the exposure of the U.S. Government to increased farm support outlays is brought about by the ever-increasing target and support price levels.

Question: Are there policy changes you would recommend be considered to reduce these major outlays?

Answer: We favor maintaining target prices for 1984 and 1985 crop years at the 1983 levels. We believe that increased target price levels for the 1984 and 1985 crops of wheat, corn, upland cotton, and rice as mandated by the Agricultural Act of 1949, as amended, will provide incentives for excessive production at a time when market signals do not call for increases. The increased production will likely result in the government acquiring large stocks of these commodities under the price support program. By freezing the 1984 and 1985 target prices at the 1983 levels, government program incentives would not be stimulating production to the point of building burdensome surpluses. Moreover, the significant reduction in inflation has eliminated the need for escalating target prices.

FARM PROGRAMS - IMPACT ON COMMODITY CREDIT CORPORATION (CCC)

Question: The major focus of the President's agriculture budget for fiscal year 1984 seems to be to reduce agricultural surplus through implementation of the PIK progam, and to modify existing price support programs to correct current supply and demand imbalances. While this subcommittee has no jurisdiction over these programs per se, it does have responsibility for reimbursing the Commodity Credit Corporation (CCC) for losses it sustains in making payments under the various farm programs. What will be the savings, or reduction in outlays, realized through the PIK program alone?

Answer: A significant reduction in CCC outlays will result from implementation of the PIK program. The PIK program is expected to save $577 million in FY 1983 and $2,729 million in FY 1984 from outlays projected in the current services budget.

Question: Are you satisfied that the pending tax questions about PIK have been adequately resolved?

Answer: Yes, we are satisfied that tax questions about PIK have been adequately resolved. Legislation that defers any income tax liability until the PIK commodities are sold or used in farm operations has been passed by the Congress and was signed by the President as P.L. 98-4 on March 11. An informal Treasury announcement has also favorably disposed of the estate tax questions.

Question: Are there other administration proposals for addressing the problems of surplus commodities, especially dairy stocks? Will any of the plans require new Congressional authorization?

Answer: Current authorizations and initiatives are adequate to dispose of current dairy stocks in a timely fashion. The problem, however, is that we keep purchasing additional stocks of dairy products. Thus, we must address the source of the problem -- excess supplies of milk and dairy products. This would require new legislation. While the Administration has not endorsed any specific plan at this time, a proposal which includes the following principles would receive the full support of this Administration:

- -- It should allow freedom of initiative for an individual dairy producer rather than operate under any type of restrictive system.
- -- It should maintain the type of program that has served producers and the industry quite well since 1949.
- -- It should lower dairy surpluses by simultaneously reducing milk production and increasing consumption to achieve a reasonable balance between supply and demand.
- -- It should be simple to administer and easily understood by dairy farmers.
- -- It should give the Secretary of Agriculture the flexibility over time to adjust, up or down, the economic signals sent to farmers so supply and demand would remain in balance in future years.

Question: Do you propose any other solutions that will help revive the farm economy, while also reducing or holding the line on the costs of farm programs to the Federal Government?

Answer: For the 1984 and 1985 crop years, Secretary Block has proposed freezing the minimum target price levels at the 1983 levels. The 1981 Farm Act mandates target price increases over the life of this Act. These increases seemed reasonable in the context of the rapid inflation of 1980 and 1981, but we have seen a dramatic improvement in the rate of inflation. The mandated increases in the target prices now provide incentive for greater production at a time when moderation is needed. The combination of reduced supplies and ending stocks through the PIK program, plus mantaining target price levels, should result in improved farm prices and lower outlays to the Federal Government.

COMMODITY CREDIT CORPORATION EXPORT CREDIT REVOLVING FUND

Question: Again this year, there are no funds included in the fiscal year 1984 budget for the CCC revolving fund authorized in the 1981 Farm Bill. Secretary Block indicated in testimony last year before this subcommittee that a request was possible in 1984 and that he felt the revolving fund may help increase agricultural exports. Why then were no funds requested for fiscal year 1984?

Answer. We did not request funds for the Export Credit Revolving Fund because it would require substantial amounts for its initial capitalization. This would mean a large increase in Federal outlays at a time when we are attempting to bring about economic recovery partly through a reduction in the Federal deficit. Secondly, we feel that we can achieve our objective of export expansion with considerably less outlays than with the revolving fund through a combination of the blended credit program and the export guarantee program.

Question: The Senate version of the "jobs bill" includes an urgent supplemental request of $5.7 billion for CCC, of which $500 million is available to capitalize the Export Credit Revolving Fund.

Assuming this provision becomes law, will the fund be used?

Answer: Use of a Export Credit Revolving Fund would largely depend on whether additional credit was warranted to increase exports. We have currently made available in either direct credits or credit guarantees a total of $5.1 billion to increase exports. Although export credit is a significant factor influencing foreign demand, it is not the only factor. Availability of foreign currency, the exchange rate level, inflation, domestic supply and distribution, and export prices are other key determinants of foreign demand.

Question: What is your assessment of the export promotion initiatives used by USDA this past year? (Please provide specific information and details for the record.)

Answer: Although we do not pretend to be able to offset the impact of the current worldwide economic slump, we are proud of our export promotion efforts. Through our blended credit program, we were able to make sales that would not have occurred otherwise and regain markets which the European Community had captured with subsidies. This program provides for up to three year credit terms on a combination of low or interest-free direct credit under the Export Credit Sales Program and credit guarantees under the Export Credit Guarantee Program. The FY 1983 program levels which include blended credit are currently $350 million in direct credit and $4.8 billion in credit guarantees. This is an increase over FY 1982 program levels of $2.8 billion in credit guarantees and no direct credit.

We have also implemented a subsidized agreement for wheat flour sales to Egypt in order to counter the uncompetitive price disadvantage which U.S. flour millers face in the Egyptian market because of European Community subsidized sales. Of the one million metric tons of flour provided for in the agreement, 230,000 metric tons have currently been tendered by Egypt for delivery through April 1983.

In addition to CCC related activities, Foreign Agricultural Service has also programed nearly $2.8 million into new activities under its market development cooperator program.

Question: What other or new initiatives will be utilized to expand or generate agricultural export activity in fiscal year 1984?

Answer: In order to more effectively use our resources, we are currently identifying credit needs on a country-by-country and commodity-by-commodity basis. We are also identifying and ranking trade policy constraints on the same basis.

One initiative under consideration is an export PIK program. We are also looking at the establishment of additional trade offices and the possibility of more direct involvement with export trading companies.

Question: Would you bring us up-to-date on the activities of the "blended credit program"?

Answer: The first allocation of blended credit, consisting of $500 million, was announced by the Secretary of Agriculture on

October 20, 1982. It consisted of $100 million interest-free direct credit (GSM-5) and $400 million in export credit guarantees (GSM-102). This allocation was exhausted on December 17, 1982.

The second allocation was announced by the President on January 11, 1983. It consists of $250 million of interest-free direct credit blended with at least $1.0 billion of export credit guarantees.

A summary report on the status of the blended credit program, by country and announcement date, follows:

BLENDED CREDIT STATUS AS OF MARCH 15, 1983
(millions of dollars)

I First Allocation		GSM-5	GSM-102	Total
A. Authorization		100.0	400.0	500.0
B. Recipient Country/Date:				
1. Brazil	(11/22/82)	12.0	48.0	60.0
2. Egypt	(11/01/82)	22.0	88.0	110.0
3. Morocco	(10/29/82)	28.0	112.0	140.0
4. Pakistan	(11/10/82)	5.0	20.0	25.0
5. Philippines	(11/03/82)	8.0	32.0	40.0
6. Portugal	(11/22/82)	1.0	4.0	5.0
7. Yemen	(12/17/82)	12.0	48.0	60.0
8. Yugoslavia	(11/01/82)	12.0	48.0	60.0
C. Subtotal		100.0	400.0	500.0
D. Balance		-0-	-0-	-0-
II Second Allocation				
A. Authorization		250.0	1,000.0	1,250.0
B. Recipient Country/Date:				
1. Jamaica	(02/14/83)	4.1	16.4	20.5
2. Bangladesh	(02/22/83)	5.6	22.4	28.0
3. Iraq	(03/09/83)	46.0	184.0	230.0
4. Morocco	(03/07/83)	1.5	6.0	7.5
5. Portugal	(03/11/83)	13.0	102.0	115.0
6. Thailand	(03/15/83)	6.0	24.0	30.0
C. Subtotal		76.2	354.8	431.0
D. Balance		173.8	645.2	819.0

U.S.-USSR GRAIN TRADE AGREEMENT

Question: Now that the U.S. embargo against grain trade with the Soviet Union has ended, what is the Administration's position on seeking negotiations with the USSR for a new long-term grain agreement?

Answer: Although talks on a new long-term agreement were postponed in December 1981, we remain hopeful that conditions will improve, and that negotiations can get underway soon.

Question: How long do you predict will it take to rebuild the U.S. reputation as a reliable supplier of agricultural exports?

Answer: It is difficult to precisely predict how long we will be affected by the 1980 embargo. This Administration has taken a number of important steps to assure customers of our determination to be a reliable supplier of agricultural products. Through cooperation with the Congress, legislation has been passed regarding contract sanctity. Also, the President has denounced the embargo and he has stated the Administration's policy of avoiding limitations on agricultural exports. We believe that these steps will help to enable the U.S. to compete more vigorously in international markets.

Question: Secretary Block has been quoted as saying, "We are aggressively seeking more foreign markets for our U.S. commodities." For the record, would you please identify and outline efforts underway and planned to expand foreign markets.

Answer: The new blended credit program is designed to assist purchasing by countries whose imports are limited by foreign exchange constraints. Over $1.3 billion has already been allocated to about 14 countries, and we expect to announce other recipients soon. We also recently negotiated an understanding with Egypt for the commercial sale of one million tons of wheat flour over the next year. This program provides for the use of CCC wheat stocks to enable U.S. suppliers to sell flour to Egypt at a competitive price. We are also exploring an expansion of the P.L. 480 program in FY 1984, both in terms of seeking new markets and enlarging existing ones. Our regular GSM-102 credit guarantee program has been expanded significantly this year from $2.8 billion in FY 1982 to $4.8 billion in FY 1983. This program provides commercial credit to countries which might otherwise not be eligible for it. In addition, a number of other innovative export expansion measures are under active consideration.

SURPLUS CHEESE AND BUTTER

The Agriculture and Food Act of 1981 requires the Secretary of Agriculture to reduce Government inventories of dairy products under the dairy price support program. Cheese and butter have been given away to needy people. USDA provides the surplus food to the States, and local governments and private organizations actually distribute the food.

Question: Who is responsible for determining eligibility criteria, the amount of food individuals may receive, and the frequency of distribution?

Answer: State distributing agencies are responsible for determining the eligibility criteria for the special dairy distribution program. They also determine the quantities of individual foods offered to recipients. These amounts are usually based on the size of the household. The frequency of distribution is determined by the amount of commodities available as well as the availability of organizations and volunteers to handle the actual physical distribution.

Question: Does USDA provide any guidance on these matters?

Answer: As far as eligibility criteria are concerned, we purposely gave States the latitude to develop their own standards. This was done to allow States greater control over the program and to expedite the distribution by minimizing the expense of a cumbersome, time-consuming certification process.

We issued guidance that the amount of food individuals may receive should be a reasonable amount that could be utilized without waste in a given time period. We did stipulate that minimum amounts must conform with the package size of the food as provided by USDA.

We have encouraged State agencies to coordinate as many distributions of the dairy commodities as they could handle effectively. They must have organizations and volunteers available for each distribution and have a sufficient quantity of food to assure that all or most of the eligible recipients will receive their allocation of food. We do not want people turned away "empty-handed".

Question: What has been the participation rate in this program by local governments and States?

Answer: All States and some Commonwealths and territorial possessions have participated in the cheese distribution. Most States have been actively involved in the butter distribution. At the local level participation has varied from local government agencies to nonprofit organizations such as food banks, churches and civic organizations.

Question: Do you feel this outlet is being used to its full potential as a means of reducing surplus dairy inventories?

Answer: In spite of the expanded domestic and foreign donations and sales programs, and particularly the special distribution to needy families, USDA inventories are above year-earlier levels because of record purchases under the price support program.

CCC is using all possible means to supply cheese and butter for special distribution program needs. We issue contracts to process or print and repackage CCC-owned bulk cheese and butter, have standing offers to purchase process cheese and print butter at announced prices, issue invitations for competitive bids for cutting or printing and repackaging CCC-owned bulk Cheddar cheese and butter. We also offer States bulk cheese and butter to allow them to arrange for local plants to convert these products into consumer-size packages. CCC will compensate States for having such services performed.

The special distribution program has exhausted the on-hand inventory of process cheese, and orders from States for process cheese are exceeding industry's capacity to meet them. CCC's inventory of process cheese has declined from 236 million pounds in December 1981, at the onset of the program, to negligible quantities in February 1983. There was only a small quantity of Government-owned butter on hand at the initiation of the butter distribution program. All print butter purchased or repackaged by CCC has gone directly for program use.

We must keep in mind, however, that if the special distributions were to be substantially increased, a noticeable increase in the rate of displacement of commercial sales would occur. The quantity displaced would have to be purchased by CCC.

Question: Could this distribution process be used to reduce other surplus dairy inventories?

Answer: A pilot distribution of nonfat dry milk was conducted in the States of Florida, Minnesota, and Washington. Significant displacement of commercial sales did not occur. Therefore, it is anticipated that nonfat dry milk, in addition to corn meal and rice, will be provided to States for distribution to low-income persons.

Question: To what extent and to whom are surplus dairy products distributed overseas? Please provide details for the record.

Answer: Public Law 480, Title II, known as the Food for Peace Program, authorizes the distribution of U.S. agricultural commodities in other countries. Most of the Title II commodities are donated through established nonprofit voluntary agencies such as Cooperative for American Relief Everywhere, Inc. (CARE), Catholic Relief Services (CRS), and the World Food Program. Currently, the Title II program is distributing CCC-owned nonfat dry milk to poor countries in all parts of the world. During fiscal year 1982, 344 million pounds of dairy products, including some butter and cheese, were utilized for foreign feeding programs.

Additionally, a total of 22 million pounds of butter, 18 million pounds of cheese, and 75 million pounds of nonfat dry milk were sold to Poland and Mexico. Under a barter agreement with Jamaica, 4 million pounds of anhydrous milkfat and 16 million pounds of nonfat dry milk were exchanged for bauxite.

PAYMENT-IN-KIND (PIK) PROGRAM

Question: Educating farmers about PIK in a relatively short period of time has been important due to the program sign-up deadlines. What type of training has been provided to State and county ASCS personnel?

Answer: Since the PIK program was announced on January 11, ASCS has provided both general and specialized training to all State and county personnel associated with the PIK program. Training has taken the form of group meetings as well as written directives and other material.

Question: How is the toll-free "PIK phone-in" program working? How many calls are you receiving each day?

Answer: The toll-free "PIK phone-in" program, which operated from January 12 through February 4, was very successful in answering the public's questions. The number of PIK phone calls received daily ranged from 2,000 at the beginning down to 800 near the end of the phone service.

Question: What is your estimate of the ratio of supportive calls to complaint calls?

Answer: Although we did not take a poll of the comments, we estimate the public's response averaged 90% in support of the PIK program and 10% against the program.

Question: At this point, what are the signup figures for PIK? Also, please provide, for the record, a summary of the Statistical

Reporting Service special report due to be released March 22, 1983.

Answer: We do not have signup figures available today. However, for the record, the USDA special report to be released March 22 will be inserted.

The information follows:

March 22, 1983

1983 FARM PROGRAM ENROLLMENT REPORT

FINAL ACREAGE REDUCTION REPORT SHOWS 187 MILLION ACRES ENROLLED

Farmers have signed up in the 1983 acreage reduction and PIK programs 187 million acres of feed grain, rice, wheat, and upland cotton base acreage according to figures released today by the U.S. Department of Agriculture. The enrolled acreage represents 81.2 percent of the 230 million acres of total base acreage.

The signup was necessary to determine producer eligibility for program benefits such as Commodity Credit Corporation loans and purchases, PIK, target price protection and -- for wheat and feed grain participants -- eligibility for the grain reserve.

Base acreage enrolled included 90 million under the feed grain program, 3.8 million under the rice program, 78 million under the wheat program, and 15 million under the upland cotton program.

Farmers who signed up to participate in the acreage reduction programs, announced prior to PIK, agreed to reduce the plantings of their base acreage of these commodities by at least 20 percent. With PIK, farmers have agreed to reduce plantings by an additional 10 percent to 30 percent of their base, and had the option to offer a bid to take their entire base out of production. The acreage taken out of production will be devoted to a conservation use.

Farms participating in only the regular 1983 acreage reduction and paid diversion programs have enrolled 66 million acres. Those signing up for the combined regular 1983 program and PIK program have enrolled 98 million acres, and those retiring whole bases have enrolled 22 million acres. Required conservation use acreage (CUA) for those signing up under the three program options is 82 million acres.

The 1983 crop national average loan rates are: barley, $2.16 per bushel; corn, $2.65 per bushel; oats, $1.36 per bushel; sorghum, $2.52 per bushel; wheat, $3.65 per bushel; rice, $8.14 per hundredweight; upland cotton, $0.55 per pound.

Target prices for the 1983 crops are: barley, $2.60; corn, $2.86; oats, $1.60; sorghum, $2.72; wheat, $4.30; rice, $11.40; upland cotton, $0.76.

The following tables show by commodity and state the number and percentage of farms and acreage enrolled in the programs.

TABLE 1: CORN/SORGHUM - 1983 ACREAGE ENROLLMENT REPORT

STATE	FARMS WITH BASE ACREAGES			ACREAGE BASES			REQUIRED CONSERVATION * USE ACREAGE
	TOTAL NUMBER	NUMBER ENROLLED	PERCENT ENROLLED	TOTAL ACRES	TOTAL ENROLLED	PERCENT ENROLLED	
ALABAMA	26,830	10,199	38.0	598,590	362,297	60.5	213,769
ALASKA	0	0	0.0	0	0	0.0	0
ARIZONA	504	231	45.8	64,130	45,887	71.6	23,025
ARKANSAS	7,940	3,245	40.9	410,963	215,660	52.5	104,318
CALIFORNIA	3,451	996	28.9	387,523	186,809	48.2	105,295
COLORADO	8,342	6,143	73.6	1,315,732	1,186,446	90.2	552,504
CONNECTICUT	2,393	1,151	48.1	53,530	27,537	51.4	7,181
DELAWARE	2,786	704	25.3	187,577	76,088	40.6	43,947
FLORIDA	7,823	3,739	47.8	387,327	269,020	69.5	161,285
GEORGIA	36,540	16,450	45.0	1,682,350	1,145,878	68.1	591,289
IDAHO	3,060	802	26.2	92,211	35,421	38.4	23,536
ILLINOIS	152,168	89,622	58.9	11,930,862	8,712,922	73.0	4,521,095
INDIANA	102,011	58,175	57.0	6,591,140	4,677,925	71.0	2,568,566
IOWA	151,491	112,160	74.0	14,922,350	12,197,756	81.7	6,213,594
KANSAS	78,133	59,183	75.7	6,292,342	5,514,239	87.6	2,325,012
KENTUCKY	48,780	17,886	36.7	1,575,973	951,543	60.4	626,637
LOUISIANA	2,530	469	18.5	129,380	53,688	41.5	31,516
MAINE	1,643	390	23.7	36,041	13,252	36.8	6,706
MARYLAND	9,847	3,688	37.5	585,040	327,718	56.0	175,157
MASSACHUSETTS	2,200	510	23.2	39,034	12,889	33.0	4,044
MICHIGAN	51,812	31,017	59.9	2,977,429	2,412,637	81.0	1,292,669
MINNESOTA	87,732	63,774	72.7	7,405,842	6,426,315	86.8	3,195,181
MISSISSIPPI	14,024	2,857	20.4	256,494	109,725	42.8	64,705
MISSOURI	66,014	40,633	61.6	3,662,913	2,831,103	77.3	1,427,320
MONTANA	1,304	850	65.2	78,388	58,980	75.2	24,035
NEBRASKA	80,783	62,171	77.0	10,365,279	9,184,227	88.6	4,410,927
NEVADA	52	18	34.6	2,011	1,070	53.2	623
NEW HAMPSHIRE	1,027	116	11.3	21,954	3,506	16.0	1,335
NEW JERSEY	2,096	777	37.1	117,111	72,791	62.2	43,218
NEW MEXICO	3,119	2,384	76.4	544,077	490,549	90.2	234,733
NEW YORK	21,895	9,977	45.6	1,131,019	812,802	71.9	386,851
NORTH CAROLINA	81,611	33,401	40.9	1,876,230	1,216,014	64.8	634,902
NORTH DAKOTA	11,130	10,124	91.0	985,504	935,742	95.0	418,485
OHIO	80,473	46,949	58.3	4,071,668	3,075,447	75.5	1,666,529
OKLAHOMA	11,404	5,596	49.1	809,227	613,339	75.8	281,571
OREGON	804	274	34.1	49,449	28,194	57.0	14,592
PENNSYLVANIA	40,239	13,670	34.0	1,181,232	563,763	47.7	308,981
PUERTO RICO	4	4	100.0	14	14	100.0	7
RHODE ISLAND	153	145	94.8	2,242	2,002	89.3	463
SOUTH CAROLINA	25,180	12,309	48.9	744,894	561,087	75.3	304,778
SOUTH DAKOTA	42,791	34,377	80.3	4,369,188	3,906,234	89.4	1,806,917
TENNESSEE	36,317	12,485	34.4	889,642	475,841	53.5	289,232
TEXAS	70,736	43,840	62.0	6,887,766	5,538,024	80.4	2,398,610
UTAH	1,458	698	47.9	41,634	23,323	56.0	11,483
VERMONT	2,133	347	16.3	62,103	14,466	23.3	4,711
VIRGINIA	32,409	12,038	37.1	781,762	464,101	59.4	256,458
WASHINGTON	1,632	554	33.9	150,525	68,356	45.4	43,899
WEST VIRGINIA	3,543	1,015	28.6	87,058	47,124	54.1	28,378
WISCONSIN	73,025	30,766	42.1	4,158,843	2,843,104	68.4	1,560,955
WYOMING	981	314	32.0	65,940	31,558	47.9	18,855
U.S. TOTAL	1,494,353	859,223	57.5	101,059,533	78,824,412	78.0	39,429,878

* CALCULATED BASED ON TOTAL PERMITTED ACREAGE.

TABLE 2: CORN/SORGHUM - 1983 ENROLLMENT BY PROGRAM

STATE	ACREAGE REDUCTION AND PAID DIVERSION ONLY		PIK (10-30%)		WHOLE BASE		TOTAL	
	BASE ACRES	RCU ACRES	BASE ACRES	RCU ACRES 1/	BASE ACRES	RCU ACRES 1/	BASE ACRES	RCU ACRES
ALABAMA	50,779	10,156	209,086	101,181	102,432	102,432	362,297	213,769
ALASKA	0	0	0	0	0	0	0	0
ARIZONA	2,659	532	41,096	20,361	2,132	2,132	45,887	23,025
ARKANSAS	92,212	18,442	74,691	37,118	48,757	48,757	215,660	104,318
CALIFORNIA	32,136	6,427	107,593	51,788	47,080	47,080	186,809	105,295
COLORADO	290,786	58,157	745,733	344,420	149,927	149,927	1,186,446	552,504
CONNECTICUT	24,425	4,885	1,336	520	1,776	1,776	27,537	7,181
DELAWARE	10,546	2,109	44,991	21,287	20,551	20,551	76,088	43,947
FLORIDA	22,289	4,458	175,688	85,785	71,043	71,043	269,020	161,285
GEORGIA	186,289	37,258	791,792	386,234	167,797	167,797	1,145,878	591,289
IDAHO	12,615	2,523	11,854	10,061	10,952	10,952	35,421	23,536
ILLINOIS	2,905,838	581,168	3,545,876	1,678,719	2,261,208	2,261,208	8,712,922	4,521,095
INDIANA	1,160,172	232,034	2,277,551	1,096,329	1,240,202	1,240,202	4,677,925	2,568,566
IOWA	2,546,910	509,382	7,386,022	3,495,853	2,194,242	2,194,242	12,197,756	6,213,594
KANSAS	2,260,084	452,017	2,618,314	1,237,155	635,840	635,840	5,514,238	2,325,012
KENTUCKY	127,938	25,589	436,692	214,136	386,913	386,913	951,543	626,637
LOUISIANA	8,267	1,653	31,059	15,501	14,362	14,362	53,688	31,516
MAINE	6,232	1,246	2,928	1,368	4,092	4,092	13,252	6,706
MARYLAND	84,983	16,997	162,867	78,292	79,868	79,868	327,718	175,157
MASSACHUSETTS	10,006	2,001	1,476	636	1,407	1,407	12,889	4,044
MICHIGAN	454,662	90,932	1,444,996	688,757	512,979	512,979	2,412,637	1,292,669
MINNESOTA	988,898	197,780	4,625,872	2,185,855	811,546	811,546	6,426,315	3,195,181
MISSISSIPPI	20,404	4,081	55,733	27,037	33,588	33,588	109,725	64,705
MISSOURI	575,409	115,082	1,828,947	885,491	426,747	426,747	2,831,103	1,427,320
MONTANA	35,208	7,042	12,952	6,173	10,820	10,820	58,980	24,035
NEBRASKA	1,998,830	399,766	6,099,423	2,925,187	1,085,974	1,085,974	9,184,227	4,410,927
NEVADA	112	22	584	227	374	374	1,070	623
NEW HAMPSHIRE	2,442	488	416	199	648	648	3,506	1,335
NEW JERSEY	12,437	2,487	35,999	16,376	24,355	24,355	72,791	43,218
NEW MEXICO	81,509	16,302	365,893	175,285	43,147	43,147	490,549	234,733
NEW YORK	312,817	62,563	331,043	155,346	168,942	168,942	812,802	386,851
NORTH CAROLINA	223,395	44,679	777,544	375,148	215,075	215,075	1,216,014	634,902
NORTH DAKOTA	305,472	61,094	524,590	251,711	105,680	105,680	935,742	418,485
OHIO	585,842	117,168	1,824,915	884,671	664,690	664,690	3,075,447	1,666,529
OKLAHOMA	209,100	41,820	315,575	151,087	88,664	88,664	613,339	281,571
OREGON	7,660	1,532	13,564	6,090	6,970	6,970	28,194	14,592
PENNSYLVANIA	196,070	39,214	186,318	88,712	180,975	180,975	563,763	308,981
PUERTO RICO	0	0	14	7	0	0	14	7
RHODE ISLAND	1,852	370	99	42	51	51	2,002	463
SOUTH CAROLINA	55,378	11,076	418,778	206,772	86,931	86,931	561,087	304,778
SOUTH DAKOTA	1,138,871	227,774	2,315,093	1,126,873	452,270	452,270	3,906,234	1,806,917
TENNESSEE	101,115	20,223	207,041	101,324	167,685	167,685	475,841	289,232
TEXAS	1,633,230	326,646	3,600,925	1,768,095	303,869	303,869	5,538,024	2,398,610
UTAH	9,908	1,982	7,473	3,560	5,942	5,942	23,323	11,483
VERMONT	10,671	2,134	2,196	978	1,599	1,599	14,466	4,711
VIRGINIA	121,868	24,374	210,453	100,305	131,780	131,780	464,101	256,458
WASHINGTON	12,711	2,542	27,112	12,823	28,533	28,533	68,356	43,899
WEST VIRGINIA	11,874	2,375	17,745	8,498	17,505	17,505	47,124	28,378
WISCONSIN	683,439	136,688	1,396,349	660,951	763,316	763,316	2,843,104	1,560,955
WYOMING	8,819	1,764	10,745	5,097	11,994	11,994	31,558	18,855
U.S. TOTAL	19,635,169	3,927,034	45,325,032	21,695,418	13,793,230	13,793,230	78,824,412	39,429,878

1/ INCLUDES APPLICABLE ACREAGE REDUCTION AND PAID (CASH) DIVERSION ACRES.

TABLE 3: BARLEY/OATS - 1983 ACREAGE ENROLLMENT REPORT

STATE	FARMS WITH BASE ACREAGES			ACREAGE BASES			REQUIRED CONSERVATION * USE ACREAGE
	TOTAL NUMBER	NUMBER ENROLLED	PERCENT ENROLLED	TOTAL ACRES	TOTAL ENROLLED	PERCENT ENROLLED	
ALABAMA	725	99	13.7	17,062	2,851	16.7	570
ALASKA	0	0	0.0	0	0	0.0	0
ARIZONA	508	222	43.7	42,754	22,626	52.9	4,525
ARKANSAS	451	28	6.2	14,704	1,492	10.1	298
CALIFORNIA	4,610	1,206	26.2	745,047	347,206	46.6	69,441
COLORADO	4,359	2,297	52.7	288,128	201,239	69.8	40,248
CONNECTICUT	12	2	16.7	107	8	7.5	2
DELAWARE	766	28	3.7	31,250	1,912	6.1	382
FLORIDA	458	117	25.5	26,060	6,325	24.3	1,265
GEORGIA	4,073	789	19.4	101,186	29,396	29.1	5,879
IDAHO	13,105	5,711	43.6	1,239,368	886,978	71.6	177,396
ILLINOIS	10,185	88	0.9	146,709	1,705	1.2	341
INDIANA	2,845	119	4.2	41,896	1,351	3.2	270
IOWA	0	0	0.0	0	0	0.0	0
KANSAS	18,428	6,395	34.7	371,413	156,552	42.2	31,310
KENTUCKY	1,150	97	8.4	31,816	3,880	12.2	776
LOUISIANA	78	9	11.5	2,812	308	11.0	62
MAINE	1,138	511	44.9	53,517	34,107	63.7	6,821
MARYLAND	2,347	151	6.4	59,824	5,139	8.6	1,028
MASSACHUSETTS	2	0	0.0	11	0	0.0	0
MICHIGAN	14,462	3,386	23.4	276,604	88,243	31.9	17,649
MINNESOTA	49,078	10,870	22.1	2,333,098	1,272,852	54.6	254,570
MISSISSIPPI	144	6	4.2	5,032	197	3.9	39
MISSOURI	6,871	411	6.0	114,836	9,724	8.5	1,945
MONTANA	13,368	10,463	78.3	2,105,137	1,967,274	93.5	393,455
NEBRASKA	19,061	1,317	6.9	581,236	48,285	8.3	9,657
NEVADA	379	137	36.1	41,835	26,882	64.3	5,376
NEW HAMPSHIRE	2	2	100.0	15	15	100.0	3
NEW JERSEY	475	34	7.2	12,891	1,457	11.3	291
NEW MEXICO	916	338	36.9	51,388	33,031	64.3	6,606
NEW YORK	9,304	2,863	30.8	185,836	86,333	46.5	17,267
NORTH CAROLINA	9,772	1,449	14.8	115,528	24,470	21.2	4,894
NORTH DAKOTA	35,983	31,672	88.0	3,432,770	3,123,880	91.0	624,776
OHIO	9,569	902	9.4	104,337	12,733	12.2	2,547
OKLAHOMA	8,258	1,062	12.9	191,596	35,963	18.8	7,193
OREGON	4,612	1,498	32.5	307,677	165,305	53.7	33,061
PENNSYLVANIA	19,659	3,350	17.0	228,821	51,583	22.5	10,317
PUERTO RICO	0	0	0.0	0	0	0.0	0
RHODE ISLAND	5	0	0.0	56	0	0.0	0
SOUTH CAROLINA	4,909	908	18.5	87,983	23,252	26.4	4,650
SOUTH DAKOTA	38,799	19,109	49.3	2,979,989	1,869,357	62.7	373,871
TENNESSEE	896	56	6.3	12,768	1,491	11.7	298
TEXAS	16,755	3,371	20.1	628,155	172,567	27.5	34,513
UTAH	3,786	1,722	45.5	140,757	95,437	67.8	19,087
VERMONT	265	48	18.1	4,934	1,103	22.4	221
VIRGINIA	6,718	1,218	18.1	110,795	27,469	24.8	5,494
WASHINGTON	6,169	3,020	49.0	806,976	572,449	70.9	114,490
WEST VIRGINIA	822	43	5.2	6,935	399	5.8	80
WISCONSIN	43,409	2,871	6.6	830,666	74,459	9.0	14,892
WYOMING	2,443	608	24.9	143,639	51,566	35.9	10,313
U.S. TOTAL	392,129	120,603	30.8	19,055,944	11,540,851	60.6	2,308,170

* CALCULATED BASED ON TOTAL PERMITTED ACREAGE.

TABLE 4: BARLEY/OATS - 1983 ENROLLMENT BY PROGRAM

STATE	ACREAGE REDUCTION AND PAID DIVERSION ONLY		PIK (10-30%)		WHOLE BASE		TOTAL	
	BASE ACRES	RCU ACRES	BASE ACRES	RCU ACRES 1/	BASE ACRES	RCU ACRES 1/	BASE ACRES	RCU ACRES
ALABAMA	2,851	570	0	0	0	0	2,851	570
ALASKA	0	0	0	0	0	0	0	0
ARIZONA	22,626	4,525	0	0	0	0	22,626	4,525
ARKANSAS	1,492	298	0	0	0	0	1,492	298
CALIFORNIA	347,206	69,441	0	0	0	0	347,206	69,441
COLORADO	201,239	40,248	0	0	0	0	201,239	40,248
CONNECTICUT	8	2	0	0	0	0	8	2
DELAWARE	1,912	382	0	0	0	0	1,912	382
FLORIDA	6,325	1,265	0	0	0	0	6,325	1,265
GEORGIA	29,396	5,879	0	0	0	0	29,396	5,879
IDAHO	886,978	177,396	0	0	0	0	886,978	177,396
ILLINOIS	1,705	341	0	0	0	0	1,705	341
INDIANA	1,351	270	0	0	0	0	1,351	270
IOWA	0	0	0	0	0	0	0	0
KANSAS	156,552	31,310	0	0	0	0	156,552	31,310
KENTUCKY	3,880	776	0	0	0	0	3,880	776
LOUISIANA	308	62	0	0	0	0	308	62
MAINE	34,107	6,821	0	0	0	0	34,107	6,821
MARYLAND	5,139	1,028	0	0	0	0	5,139	1,028
MASSACHUSETTS	0	0	0	0	0	0	0	0
MICHIGAN	88,243	17,649	0	0	0	0	88,243	17,649
MINNESOTA	1,272,853	254,571	0	0	0	0	1,272,852	254,570
MISSISSIPPI	197	39	0	0	0	0	197	39
MISSOURI	9,724	1,945	0	0	0	0	9,724	1,945
MONTANA	1,967,274	393,455	0	0	0	0	1,967,274	393,455
NEBRASKA	48,285	9,657	0	0	0	0	48,285	9,657
NEVADA	26,882	5,376	0	0	0	0	26,882	5,376
NEW HAMPSHIRE	15	3	0	0	0	0	15	3
NEW JERSEY	1,457	291	0	0	0	0	1,457	291
NEW MEXICO	33,031	6,606	0	0	0	0	33,031	6,606
NEW YORK	86,333	17,267	0	0	0	0	86,333	17,267
NORTH CAROLINA	24,470	4,894	0	0	0	0	24,470	4,894
NORTH DAKOTA	3,123,880	624,776	0	0	0	0	3,123,880	624,776
OHIO	12,733	2,547	0	0	0	0	12,733	2,547
OKLAHOMA	35,963	7,193	0	0	0	0	35,963	7,193
OREGON	165,305	33,061	0	0	0	0	165,305	33,061
PENNSYLVANIA	51,583	10,317	0	0	0	0	51,583	10,317
PUERTO RICO	0	0	0	0	0	0	0	0
RHODE ISLAND	0	0	0	0	0	0	0	0
SOUTH CAROLINA	23,252	4,650	0	0	0	0	23,252	4,650
SOUTH DAKOTA	1,869,357	373,871	0	0	0	0	1,869,357	373,871
TENNESSEE	1,491	298	0	0	0	0	1,491	298
TEXAS	172,567	34,513	0	0	0	0	172,567	34,513
UTAH	95,437	19,087	0	0	0	0	95,437	19,087
VERMONT	1,103	221	0	0	0	0	1,103	221
VIRGINIA	27,469	5,494	0	0	0	0	27,469	5,494
WASHINGTON	572,449	114,490	0	0	0	0	572,449	114,490
WEST VIRGINIA	399	80	0	0	0	0	399	80
WISCONSIN	74,459	14,892	0	0	0	0	74,459	14,892
WYOMING	51,566	10,313	0	0	0	0	51,566	10,313
U.S. TOTAL	11,540,852	2,308,170	0	0	0	0	11,540,851	2,308,170

1/ INCLUDES APPLICABLE ACREAGE REDUCTION AND PAID (CASH) DIVERSION ACRES.

TABLE 5: RICE - 1983 ACREAGE ENROLLMENT REPORT

STATE	FARMS WITH BASE ACREAGES			ACREAGE BASES			REQUIRED CONSERVATION USE ACREAGE *
	TOTAL NUMBER	NUMBER ENROLLED	PERCENT ENROLLED	TOTAL ACRES	TOTAL ENROLLED	PERCENT ENROLLED	
ALABAMA	0	0	0.0	0	0	0.0	0
ALASKA	0	0	0.0	0	0	0.0	0
ARIZONA	0	0	0.0	0	0	0.0	0
ARKANSAS	10,949	10,147	92.7	1,557,092	1,458,242	93.7	635,124
CALIFORNIA	1,756	1,594	90.8	624,956	610,590	97.7	286,243
COLORADO	0	0	0.0	0	0	0.0	0
CONNECTICUT	0	0	0.0	0	0	0.0	0
DELAWARE	0	0	0.0	0	0	0.0	0
FLORIDA	16	10	62.5	13,199	11,972	90.7	5,485
GEORGIA	0	0	0.0	0	0	0.0	0
IDAHO	0	0	0.0	0	0	0.0	0
ILLINOIS	0	0	0.0	0	0	0.0	0
INDIANA	0	0	0.0	0	0	0.0	0
IOWA	0	0	0.0	0	0	0.0	0
KANSAS	0	0	0.0	0	0	0.0	0
KENTUCKY	1	0	0.0	8	0	0.0	0
LOUISIANA	5,216	4,560	87.4	723,519	702,967	97.2	301,875
MAINE	0	0	0.0	0	0	0.0	0
MARYLAND	0	0	0.0	0	0	0.0	0
MASSACHUSETTS	0	0	0.0	0	0	0.0	0
MICHIGAN	0	0	0.0	0	0	0.0	0
MINNESOTA	0	0	0.0	0	0	0.0	0
MISSISSIPPI	1,263	1,182	93.6	364,610	358,626	98.4	174,768
MISSOURI	638	569	89.2	89,617	85,805	95.7	31,149
MONTANA	0	0	0.0	0	0	0.0	0
NEBRASKA	0	0	0.0	0	0	0.0	0
NEVADA	0	0	0.0	0	0	0.0	0
NEW HAMPSHIRE	0	0	0.0	0	0	0.0	0
NEW JERSEY	0	0	0.0	0	0	0.0	0
NEW MEXICO	0	0	0.0	0	0	0.0	0
NEW YORK	0	0	0.0	0	0	0.0	0
NORTH CAROLINA	3	0	0.0	1	0	0.0	0
NORTH DAKOTA	0	0	0.0	0	0	0.0	0
OHIO	0	0	0.0	0	0	0.0	0
OKLAHOMA	5	4	80.0	1,332	792	59.5	395
OREGON	0	0	0.0	0	0	0.0	0
PENNSYLVANIA	0	0	0.0	0	0	0.0	0
PUERTO RICO	1	0	0.0	235	0	0.0	0
RHODE ISLAND	0	0	0.0	0	0	0.0	0
SOUTH CAROLINA	4	0	0.0	23	0	0.0	0
SOUTH DAKOTA	0	0	0.0	0	0	0.0	0
TENNESSEE	5	3	60.0	421	271	64.4	135
TEXAS	1,999	1,791	89.6	625,573	606,152	96.9	285,299
UTAH	0	0	0.0	0	0	0.0	0
VERMONT	0	0	0.0	0	0	0.0	0
VIRGINIA	0	0	0.0	0	0	0.0	0
WASHINGTON	0	0	0.0	0	0	0.0	0
WEST VIRGINIA	0	0	0.0	0	0	0.0	0
WISCONSIN	0	0	0.0	0	0	0.0	0
WYOMING	0	0	0.0	0	0	0.0	0
U.S. TOTAL	21,856	19,860	90.9	4,000,586	3,835,417	95.9	1,720,473

* CALCULATED BASED ON TOTAL PERMITTED ACREAGE.

TABLE 6: RICE - 1983 ENROLLMENT BY PROGRAM

STATE	ACREAGE REDUCTION AND PAID DIVERSION ONLY		PIK (10-30%)		WHOLE BASE		TOTAL	
	BASE ACRES	RCU ACRES	BASE ACRES	RCU ACRES 1/	BASE ACRES	RCU ACRES 1/	BASE ACRES	RCU ACRES
ALABAMA	0	0	0	0	0	0	0	0
ALASKA	0	0	0	0	0	0	0	0
ARIZONA	0	0	0	0	0	0	0	0
ARKANSAS	266,285	53,257	1,191,957	581,867	0	0	1,458,242	635,124
CALIFORNIA	31,287	6,257	579,303	279,984	0	0	610,590	286,241
COLORADO	0	0	0	0	0	0	0	0
CONNECTICUT	0	0	0	0	0	0	0	0
DELAWARE	0	0	0	0	0	0	0	0
FLORIDA	1,667	333	10,305	5,152	0	0	11,972	5,485
GEORGIA	0	0	0	0	0	0	0	0
IDAHO	0	0	0	0	0	0	0	0
ILLINOIS	0	0	0	0	0	0	0	0
INDIANA	0	0	0	0	0	0	0	0
IOWA	0	0	0	0	0	0	0	0
KANSAS	0	0	0	0	0	0	0	0
KENTUCKY	0	0	0	0	0	0	0	0
LOUISIANA	79,427	15,885	623,540	285,990	0	0	702,967	301,875
MAINE	0	0	0	0	0	0	0	0
MARYLAND	0	0	0	0	0	0	0	0
MASSACHUSETTS	0	0	0	0	0	0	0	0
MICHIGAN	0	0	0	0	0	0	0	0
MINNESOTA	0	0	0	0	0	0	0	0
MISSISSIPPI	7,939	1,588	350,687	173,180	0	0	358,626	174,768
MISSOURI	18,752	3,750	67,053	27,399	0	0	85,805	31,149
MONTANA	0	0	0	0	0	0	0	0
NEBRASKA	0	0	0	0	0	0	0	0
NEVADA	0	0	0	0	0	0	0	0
NEW HAMPSHIRE	0	0	0	0	0	0	0	0
NEW JERSEY	0	0	0	0	0	0	0	0
NEW MEXICO	0	0	0	0	0	0	0	0
NEW YORK	0	0	0	0	0	0	0	0
NORTH CAROLINA	0	0	0	0	0	0	0	0
NORTH DAKOTA	0	0	0	0	0	0	0	0
OHIO	0	0	0	0	0	0	0	0
OKLAHOMA	0	0	792	395	0	0	792	395
OREGON	0	0	0	0	0	0	0	0
PENNSYLVANIA	0	0	0	0	0	0	0	0
PUERTO RICO	0	0	0	0	0	0	0	0
RHODE ISLAND	0	0	0	0	0	0	0	0
SOUTH CAROLINA	0	0	0	0	0	0	0	0
SOUTH DAKOTA	0	0	0	0	0	0	0	0
TENNESSEE	0	0	271	135	0	0	271	135
TEXAS	22,369	4,474	583,783	280,826	0	0	606,152	285,299
UTAH	0	0	0	0	0	0	0	0
VERMONT	0	0	0	0	0	0	0	0
VIRGINIA	0	0	0	0	0	0	0	0
WASHINGTON	0	0	0	0	0	0	0	0
WEST VIRGINIA	0	0	0	0	0	0	0	0
WISCONSIN	0	0	0	0	0	0	0	0
WYOMING	0	0	0	0	0	0	0	0
U.S. TOTAL	427,726	85,545	3,407,691	1,634,928	0	0	3,835,417	1,720,473

1/ INCLUDES APPLICABLE ACREAGE REDUCTION AND PAID (CASH) DIVERSION ACRES.

TABLE 7: WHEAT - 1983 ACREAGE ENROLLMENT REPORT

STATE	FARMS WITH BASE ACREAGES			ACREAGE BASES			REQUIRED CONSERVATION * USE ACREAGE
	TOTAL NUMBER	NUMBER ENROLLED	PERCENT ENROLLED	TOTAL ACRES	TOTAL ENROLLED	PERCENT ENROLLED	
ALABAMA	12,035	5,867	48.7	520,103	343,352	66.0	178,810
ALASKA	5	3	60.0	183	119	65.0	57
ARIZONA	1,101	580	52.7	211,003	129,631	61.4	67,129
ARKANSAS	18,942	10,428	55.1	1,844,280	1,305,184	70.8	479,346
CALIFORNIA	7,111	3,380	47.5	1,343,929	936,530	69.7	479,719
COLORADO	14,617	12,533	85.7	3,653,068	3,371,827	92.3	1,292,225
CONNECTICUT	14	5	35.7	242	155	64.0	31
DELAWARE	1,275	200	15.7	55,199	12,845	23.3	3,851
FLORIDA	1,408	676	48.0	69,158	44,381	64.2	22,523
GEORGIA	19,117	11,429	59.8	1,103,998	857,716	77.7	355,426
IDAHO	12,376	7,537	60.9	1,792,611	1,545,138	86.2	741,360
ILLINOIS	64,818	24,572	37.9	2,021,190	1,072,487	53.1	381,599
INDIANA	49,378	17,184	34.8	1,288,061	584,069	45.3	210,717
IOWA	5,744	1,692	29.5	147,943	71,350	48.2	41,658
KANSAS	110,424	89,469	81.0	13,990,121	12,638,845	90.3	4,171,062
KENTUCKY	16,437	6,068	36.9	717,966	372,554	51.9	175,008
LOUISIANA	2,915	1,381	47.4	319,926	211,992	66.3	113,395
MAINE	37	19	51.4	699	308	44.1	229
MARYLAND	4,142	1,039	25.1	140,278	52,699	37.6	15,562
MASSACHUSETTS	6	0	0.0	88	0	0.0	0
MICHIGAN	30,744	14,580	47.4	852,302	540,358	63.4	203,461
MINNESOTA	40,289	25,950	64.4	4,016,705	3,615,717	90.0	1,734,511
MISSISSIPPI	8,704	4,610	53.0	736,296	521,271	70.8	264,528
MISSOURI	64,993	39,330	60.5	3,293,606	2,438,130	74.0	1,005,686
MONTANA	16,387	15,252	93.1	6,478,046	6,332,818	97.8	2,365,116
NEBRASKA	41,687	28,540	68.5	3,145,422	2,751,028	87.5	963,798
NEVADA	236	149	63.1	27,431	24,542	89.5	12,471
NEW HAMPSHIRE	0	0	0.0	0	0	0.0	0
NEW JERSEY	1,015	403	39.7	45,043	27,062	60.1	12,764
NEW MEXICO	3,227	2,514	77.9	782,316	720,296	92.1	307,593
NEW YORK	5,496	2,661	48.4	170,360	123,722	72.6	42,960
NORTH CAROLINA	31,435	12,805	40.7	659,733	376,864	57.1	163,980
NORTH DAKOTA	56,979	54,456	95.6	12,638,912	12,412,498	98.2	5,380,630
OHIO	55,304	25,402	45.9	1,548,448	928,296	60.0	313,963
OKLAHOMA	55,867	45,245	81.0	7,794,814	7,141,182	91.6	3,391,836
OREGON	7,045	4,383	62.2	1,344,604	1,152,459	85.7	389,324
PENNSYLVANIA	13,265	3,672	27.7	188,677	75,850	40.2	28,780
PUERTO RICO	0	0	0.0	0	0	0.0	0
RHODE ISLAND	0	0	0.0	0	0	0.0	0
SOUTH CAROLINA	11,469	6,590	57.5	472,222	369,556	78.3	167,486
SOUTH DAKOTA	28,506	24,459	85.8	4,730,855	4,489,694	94.9	1,991,388
TENNESSEE	20,217	9,300	46.0	914,442	556,496	60.9	254,854
TEXAS	62,228	44,672	71.8	7,446,027	6,504,415	87.4	3,056,080
UTAH	2,482	1,596	64.3	292,178	259,547	88.8	114,687
VERMONT	36	16	44.4	683	369	54.0	162
VIRGINIA	14,680	5,755	39.2	343,457	188,365	54.8	75,824
WASHINGTON	10,626	7,466	70.3	3,153,433	2,805,394	89.0	926,855
WEST VIRGINIA	482	95	19.7	6,621	2,054	31.0	818
WISCONSIN	5,833	1,631	28.0	129,774	62,943	48.5	27,918
WYOMING	1,675	1,274	76.1	373,560	336,780	90.2	125,386
U.S. TOTAL	932,809	576,868	61.8	90,806,013	78,308,888	86.2	32,052,569

* CALCULATED BASED ON TOTAL PERMITTED ACREAGE.

TABLE 8: WHEAT - 1983 ENROLLMENT BY PROGRAM

STATE	ACREAGE REDUCTION AND PAID DIVERSION ONLY		PIK (10-30%)		WHOLE BASE		TOTAL	
	BASE ACRES	RCU ACRES	BASE ACRES	RCU ACRES 1/	BASE ACRES	RCU ACRES 1/	BASE ACRES	RCU ACRES
ALABAMA	88,591	17,718	182,555	88,886	72,206	72,206	343,352	178,810
ALASKA	35	7	68	34	16	16	119	57
ARIZONA	16,915	3,383	95,867	46,897	16,849	16,849	129,631	67,129
ARKANSAS	756,088	151,218	412,899	191,932	136,197	136,197	1,305,184	479,346
CALIFORNIA	175,870	35,174	595,397	279,282	165,263	165,263	936,530	479,719
COLORADO	1,958,693	391,739	946,818	434,171	466,316	466,316	3,371,827	1,292,225
CONNECTICUT	155	31	0	0	0	0	155	31
DELAWARE	8,563	1,713	3,845	1,701	437	437	12,845	3,851
FLORIDA	16,070	3,214	17,721	8,719	10,590	10,590	44,381	22,523
GEORGIA	376,526	75,305	384,205	183,136	96,985	96,985	857,716	355,426
IDAHO	435,487	87,097	836,847	381,458	272,804	272,804	1,545,138	741,360
ILLINOIS	692,296	138,460	248,092	111,040	132,099	132,099	1,072,487	381,599
INDIANA	388,332	77,667	118,906	56,219	76,831	76,831	584,069	210,717
IOWA	15,006	3,001	32,391	14,704	23,953	23,953	71,350	41,658
KANSAS	7,352,367	1,470,473	4,512,119	1,926,230	774,359	774,359	12,638,845	4,171,062
KENTUCKY	181,261	36,252	98,781	46,244	92,512	92,512	372,554	175,008
LOUISIANA	38,160	7,632	134,082	66,013	39,750	39,750	211,992	113,395
MAINE	24	5	120	60	164	164	308	229
MARYLAND	42,020	8,404	6,392	2,871	4,287	4,287	52,699	15,562
MASSACHUSETTS	0	0	0	0	0	0	0	0
MICHIGAN	313,835	62,767	150,493	64,664	76,030	76,030	540,358	203,461
MINNESOTA	467,981	93,596	2,949,265	1,442,444	198,471	198,471	3,615,717	1,734,511
MISSISSIPPI	129,150	25,830	295,850	142,427	96,271	96,271	521,271	264,528
MISSOURI	1,119,072	223,814	1,011,660	474,474	307,398	307,398	2,438,130	1,005,686
MONTANA	3,466,716	693,343	2,132,850	938,521	733,252	733,252	6,332,818	2,365,116
NEBRASKA	1,689,279	337,856	794,100	358,293	267,649	267,649	2,751,028	963,798
NEVADA	670	134	22,514	10,979	1,358	1,358	24,542	12,471
NEW HAMPSHIRE	0	0	0	0	0	0	0	0
NEW JERSEY	11,698	2,340	8,932	3,992	6,432	6,432	27,062	12,764
NEW MEXICO	227,451	45,490	422,056	191,314	70,789	70,789	720,296	307,593
NEW YORK	83,070	16,614	29,052	14,746	11,600	11,600	123,722	42,960
NORTH CAROLINA	166,678	33,336	150,788	71,247	59,398	59,398	376,864	163,980
NORTH DAKOTA	3,472,703	694,541	8,077,841	3,824,135	861,954	861,954	12,412,498	5,380,630
OHIO	629,347	125,869	205,680	94,825	93,269	93,269	928,296	313,963
OKLAHOMA	1,211,839	242,368	5,247,913	2,468,039	681,430	681,430	7,141,182	3,391,836
OREGON	663,032	132,606	399,206	166,496	90,221	90,221	1,152,459	389,324
PENNSYLVANIA	49,007	9,801	13,920	6,056	12,923	12,923	75,850	28,780
PUERTO RICO	0	0	0	0	0	0	0	0
RHODE ISLAND	0	0	0	0	0	0	0	0
SOUTH CAROLINA	148,319	29,664	157,210	73,795	64,027	64,027	369,556	167,486
SOUTH DAKOTA	1,308,468	261,694	2,751,601	1,300,069	429,625	429,625	4,489,694	1,991,388
TENNESSEE	269,259	53,852	162,951	76,716	124,286	124,286	556,496	254,854
TEXAS	1,617,962	323,592	4,149,126	1,995,160	737,327	737,327	6,504,415	3,056,080
UTAH	104,265	20,853	98,441	36,993	56,841	56,841	259,547	114,687
VERMONT	233	47	35	14	101	101	369	162
VIRGINIA	113,455	22,691	40,021	18,244	34,889	34,889	188,365	75,824
WASHINGTON	1,695,154	339,031	885,463	363,048	224,777	224,777	2,805,394	926,855
WEST VIRGINIA	1,221	244	519	260	314	314	2,054	818
WISCONSIN	33,972	6,794	14,618	6,771	14,353	14,353	62,943	27,918
WYOMING	208,717	41,743	84,633	40,213	43,430	43,430	336,780	125,386
U.S. TOTAL	31,745,012	6,349,002	38,883,843	18,023,534	7,680,033	7,680,033	78,308,888	32,052,569

1/ INCLUDES APPLICABLE ACREAGE REDUCTION AND PAID (CASH) DIVERSION ACRES.

TABLE 9: UPLAND COTTON - 1983 ACREAGE ENROLLMENT REPORT

STATE	FARMS WITH BASE ACREAGES			ACREAGE BASES			REQUIRED CONSERVATION * USE ACREAGE
	TOTAL NUMBER	NUMBER ENROLLED	PERCENT ENROLLED	TOTAL ACRES	TOTAL ENROLLED	PERCENT ENROLLED	
ALABAMA	7,509	6,212	82.7	412,147	389,232	94.4	189,164
ALASKA	0	0	0.0	0	0	0.0	0
ARIZONA	2,017	1,613	80.0	603,798	579,642	96.0	284,280
ARKANSAS	8,213	7,020	85.5	687,967	655,315	95.3	306,217
CALIFORNIA	5,748	4,042	70.3	1,560,137	1,260,784	80.8	620,081
COLORADO	0	0	0.0	0	0	0.0	0
CONNECTICUT	0	0	0.0	0	0	0.0	0
DELAWARE	0	0	0.0	0	0	0.0	0
FLORIDA	346	301	87.0	18,913	17,832	94.3	8,792
GEORGIA	3,240	2,667	82.3	223,508	208,025	93.1	100,301
IDAHO	0	0	0.0	0	0	0.0	0
ILLINOIS	0	0	0.0	0	0	0.0	0
INDIANA	0	0	0.0	0	0	0.0	0
IOWA	0	0	0.0	0	0	0.0	0
KANSAS	22	8	36.4	300	0	0.0	0
KENTUCKY	0	0	0.0	0	0	0.0	0
LOUISIANA	7,560	6,890	91.1	733,631	712,336	97.1	339,202
MAINE	0	0	0.0	0	0	0.0	0
MARYLAND	0	0	0.0	0	0	0.0	0
MASSACHUSETTS	0	0	0.0	0	0	0.0	0
MICHIGAN	0	0	0.0	0	0	0.0	0
MINNESOTA	0	0	0.0	0	0	0.0	0
MISSISSIPPI	12,725	11,170	87.8	1,326,623	1,292,546	97.4	632,775
MISSOURI	4,295	3,863	89.9	260,148	245,482	94.4	104,304
MONTANA	0	0	0.0	0	0	0.0	0
NEBRASKA	0	0	0.0	0	0	0.0	0
NEVADA	6	6	100.0	1,004	1,004	100.0	502
NEW HAMPSHIRE	0	0	0.0	0	0	0.0	0
NEW JERSEY	0	0	0.0	0	0	0.0	0
NEW MEXICO	2,196	1,652	75.2	167,206	151,287	90.5	72,807
NEW YORK	0	0	0.0	0	0	0.0	0
NORTH CAROLINA	2,229	1,846	82.8	90,427	84,744	93.7	38,006
NORTH DAKOTA	0	0	0.0	0	0	0.0	0
OHIO	0	0	0.0	0	0	0.0	0
OKLAHOMA	9,634	8,369	86.9	749,794	711,566	94.9	339,262
OREGON	0	0	0.0	0	0	0.0	0
PENNSYLVANIA	0	0	0.0	0	0	0.0	0
PUERTO RICO	0	0	0.0	0	0	0.0	0
RHODE ISLAND	0	0	0.0	0	0	0.0	0
SOUTH CAROLINA	1,848	1,589	86.0	134,370	131,374	97.8	62,616
SOUTH DAKOTA	0	0	0.0	0	0	0.0	0
TENNESSEE	7,839	6,754	86.2	339,341	320,816	94.5	149,677
TEXAS	61,913	53,125	85.8	8,136,940	7,844,852	96.4	3,534,768
UTAH	0	0	0.0	0	0	0.0	0
VERMONT	0	0	0.0	0	0	0.0	0
VIRGINIA	15	12	80.0	437	412	94.3	178
WASHINGTON	0	0	0.0	0	0	0.0	0
WEST VIRGINIA	0	0	0.0	0	0	0.0	0
WISCONSIN	0	0	0.0	0	0	0.0	0
WYOMING	0	0	0.0	0	0	0.0	0
U.S. TOTAL	137,355	117,139	85.3	15,446,691	14,607,249	94.6	6,782,934

* CALCULATED BASED ON TOTAL PERMITTED ACREAGE.

TABLE 10: UPLAND COTTON - 1983 ENROLLMENT BY PROGRAM

STATE	ACREAGE REDUCTION AND PAID DIVERSION ONLY		PIK (10-30%)		WHOLE BASE		TOTAL	
	BASE ACRES	RCU ACRES	BASE ACRES	RCU ACRES 1/	BASE ACRES	RCU ACRES 1/	BASE ACRES	RCU ACRES
ALABAMA	40,475	8,095	330,617	162,929	18,140	18,140	389,232	189,164
ALASKA	0	0	0	0	0	0	0	0
ARIZONA	12,641	2,528	567,001	281,752	0	0	579,642	284,280
ARKANSAS	145,011	29,002	445,890	212,801	64,414	64,414	655,315	306,217
CALIFORNIA	162,056	32,411	973,264	462,206	125,464	125,464	1,260,784	620,081
COLORADO	0	0	0	0	0	0	0	0
CONNECTICUT	0	0	0	0	0	0	0	0
DELAWARE	0	0	0	0	0	0	0	0
FLORIDA	59	12	17,673	8,681	100	100	17,832	8,792
GEORGIA	16,107	3,221	187,997	93,158	3,921	3,921	208,025	100,300
IDAHO	0	0	0	0	0	0	0	0
ILLINOIS	0	0	0	0	0	0	0	0
INDIANA	0	0	0	0	0	0	0	0
IOWA	0	0	0	0	0	0	0	0
KANSAS	0	0	0	0	0	0	0	0
KENTUCKY	0	0	0	0	0	0	0	0
LOUISIANA	70,486	14,097	629,250	312,505	12,600	12,600	712,336	339,202
MAINE	0	0	0	0	0	0	0	0
MARYLAND	0	0	0	0	0	0	0	0
MASSACHUSETTS	0	0	0	0	0	0	0	0
MICHIGAN	0	0	0	0	0	0	0	0
MINNESOTA	0	0	0	0	0	0	0	0
MISSISSIPPI	49,567	9,913	1,233,035	612,918	9,944	9,944	1,292,546	632,775
MISSOURI	121,293	24,259	83,636	39,492	40,553	40,553	245,482	104,304
MONTANA	0	0	0	0	0	0	0	0
NEBRASKA	0	0	0	0	0	0	0	0
NEVADA	0	0	1,004	502	0	0	1,004	502
NEW HAMPSHIRE	0	0	0	0	0	0	0	0
NEW JERSEY	0	0	0	0	0	0	0	0
NEW MEXICO	18,702	3,740	124,660	61,142	7,925	7,925	151,287	72,807
NEW YORK	0	0	0	0	0	0	0	0
NORTH CAROLINA	20,486	4,097	59,835	29,486	4,423	4,423	84,744	38,006
NORTH DAKOTA	0	0	0	0	0	0	0	0
OHIO	0	0	0	0	0	0	0	0
OKLAHOMA	138,114	27,623	507,330	245,517	66,122	66,122	711,566	339,262
OREGON	0	0	0	0	0	0	0	0
PENNSYLVANIA	0	0	0	0	0	0	0	0
PUERTO RICO	0	0	0	0	0	0	0	0
RHODE ISLAND	0	0	0	0	0	0	0	0
SOUTH CAROLINA	4,083	817	126,767	61,275	524	524	131,374	62,616
SOUTH DAKOTA	0	0	0	0	0	0	0	0
TENNESSEE	119,081	23,816	150,290	74,416	51,445	51,445	320,816	149,677
TEXAS	1,943,439	388,688	5,355,333	2,600,001	546,080	546,080	7,844,852	3,534,768
UTAH	0	0	0	0	0	0	0	0
VERMONT	0	0	0	0	0	0	0	0
VIRGINIA	91	18	307	145	14	14	412	178
WASHINGTON	0	0	0	0	0	0	0	0
WEST VIRGINIA	0	0	0	0	0	0	0	0
WISCONSIN	0	0	0	0	0	0	0	0
WYOMING	0	0	0	0	0	0	0	0
U.S. TOTAL	2,861,691	572,338	10,793,889	5,258,927	951,669	951,669	14,607,249	6,782,934

1/ INCLUDES APPLICABLE ACREAGE REDUCTION AND PAID (CASH) DIVERSION ACRES.

QUESTIONS SUBMITTED BY SENATOR ANDREWS

PAYMENT-IN-KIND PROGRAM

Question: Now that the 1983 PIK program is in place and the signup period has ended, a number of farmers have expressed their concern about the fact they are not allowed to participate because they did not have an established base acreage. Recognizing that many farmers choose not to participate in these acreage reduction programs in the past, there are a couple of situations that do merit your consideration. A number of young farmers who have recently purchased farms wanted to participate in the PIK program. They were denied because the farms they bought did not have a base acreage established. They see no other option but to plant from fence to fence. This regulation defeats the purpose of the PIK program. Another case concerns the land that has recently come out of the water bank program. These farmers have been keeping land out of production for 10 years and now can't use that land as part of their base. What action does ASCS plan to take to correct this problem as it concerns new farms and land that is coming out of Water Bank? If legislative action is needed, when do you intend to bring forth your proposal to the Congress?

Answer: There are numerous reasons for a farm either not having an established base acreage or having a base smaller than might be expected. The Agriculture and Food Act of 1981 provided an equitable basis for establishing commodity bases. We do not believe that the only option for a farmer with no base for one of the PIK commodities is to plant fence to fence. To their dismay at harvest, many farmers who planted fence to fence in 1982 found this to be a very poor option. Further, we believe that the production adjustment program in place for 1983 will be successful in bringing supplies closer in line with demand and should not be changed at this time.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

PAYMENT-IN-KIND PROGRAM

Question: Although the PIK program may result in savings compared to no program at all, there are definitely costs associated with the program. What is the estimated value of the commodities that will be provided to farmers under the PIK program?

Answer: In fiscal year 1983, commodities estimated to be transferred from loan accounts are valued at $1,512.4 million; commodities estimated to be transferred from inventory are valued at $158.2 million. The total value of commodities is $1,670.6 million. In fiscal year 1984, commodities to be transferred from loan accounts are valued at $3,763.1 million; commodities to be transferred from inventory are valued at $612.7 million. The total value of commodities is $4,375.8 million. These estimates are those reflected in the President's Budget, and may vary depending on actual enrollment in the PIK program.

COMMODITY CREDIT CORPORATION INVENTORY

Question: Please provide a list of commodities currently in CCC inventory, their individual value and the quantity for each?

Answer: The information follows:

COMMODITY	INVENTORY AS OF 1/31/83	
	Quantity	$Value
	(in thousands)	
Feed Grains (bu)		
Barley	5,123	8,696
Corn	460,223	1,098,552
Oats	704	830
Rye	37	66
Sorghum	47,514	102,766
Total Feed Grains	513,601	1,210,910
Wheat (bu)	186,433	672,195
Rice, Rough and Milled (cwt)	17,760	141,470
Cotton, Extra Long Staple (bale)	4	1,801
Cotton, Upland (bale)	87	20,042
Dairy Products (lb)		
Butter	507,125	756,714
Cheese	936,553	1,382,041
Milk, Dried	1,419,685	1,321,718
Milkfat, Anhydrous	1,021	2,121
Total Dairy Products	2,864,384	3,462,594
Soybeans (bu)	17,119	87,064
Peanut Products (lb)	9,333	6,562
Vegetable Oil Products (lb)	15,915	5,725
Foundation Seeds (lb)	585	892
Honey (lb)	39,782	22,880
Sugar, Beet (lb)	421	73
Alcohol, Denatured (gal)	686	1,128
Strategic and Other Material (Bauxite)	400	13,000
TOTAL	xxx	5,646,336

Question: How do you presently predict this inventory will change as the result of PIK?

Answer: Existing CCC inventory will be reduced by using CCC-owned stocks, valued at $158.2 million in FY 1983 and $612.7 million in FY 1984, for PIK compensation. Potential CCC inventory acquisitions are also reduced because outstanding commodity loans which were previously projected to be forfeited to CCC are now projected to be used for PIK compensation.

Question: What are the costs associated with the storage of the current inventories on an annual basis?

Answer: Storage and handling costs for all commodities in CCC inventory in fiscal year 1982 were $239.2 million. Costs are estmated to be $353.1 million and $318.3 million in fiscal years 1983 and 1984 respectively.

COMMODITY CREDIT CORPORATION LOANS

Question: In addition to CCC-owned inventory, there is a considerable sum of CCC's borrowing authority committed in nonrecourse loans. Please detail the commodities, their value and quantity currently under loan and how this impacts on the availability of CCC borrowing authority.

Answer: CCC must borrow from the U.S. Treasury to fund the loans made to farmers. Therefore, $19.4 billion of the $25 billion borrowing authority is used to provide the nonrecourse commodity loans to farmers. A list of commodity loans outstanding as of January 31, 1983, follows:

COMMODITY	LOANS AS OF 1/31/83 Quantity	 $Value
	(in thousands)	
Feed Grains (bu)		
Barley	112,212	233,954
Corn	2,863,336	7,655,020
Oats	9,569	12,482
Rye	1,290	2,698
Sorghum	460,425	1,233,189
Total Feed Grains	3,446,832	9,137,343
Wheat (bu)	1,194,808	4,250,592
Rice, Rough (cwt)	56,732	468,850
Tobacco (lb)	889,742	1,455,230
Cotton, Extra Long Staple (bale)	72	35,591
Cotton, Upland (bale)	6,748	1,700,648
Soybeans (bu)	386,239	1,933,267
Peanuts, Farmers' Stock (lb)	246,362	32,713
Honey (lb)	84,513	50,891
Sugar, Beet (lb)	1,273,552	252,365
Sugar, Cane (lb)	666,949	114,370
TOTAL	xxx	19,431,860

NOTE: This table excludes $1,601 thousand for Seed Cotton loans, which are recourse loans.

EXPORT GUARANTEE PROGRAM

Question: How much has been paid to banks to date under the CCC export guarantee program? Please provide specifics of the loans, by country, against which payments have been made as well as the banks involved in each loan.

Answer: Disbursements under CCC Export Guarantee Programs from inception through February 1983 total $667.8 million as follows:

Country	Millions of Dollars
Poland	622.6
Sudan	25.6
Romania	18.1
Nigeria	1.5*
Total	667.8

*Repaid except for $150,000.

The following table shows claims against Poland paid to U.S. banks on about 405 payment guarantee agreements:

Payee	Millions of Dollars
Bank America International	238.3
First National Bank of Chicago	201.7
Girard Bank	70.5
Marine Midland	43.8
European American Banking Corporation	18.8
Chemical Bank	11.7
Riggs National Bank	7.1
*Other	30.7
Total	622.6

*Remaining banks and exporters whose payments were less than 1 percent of the total.

Claims against Sudan and Romania were paid to single U.S. banks as follows:

Country/Bank	Millions of Dollars
Sudan (Riggs National Bank)	25.6
Romania (Manufacturers Hanover Trust Company)	18.1
Total	43.7

Question: Do you expect additional payments will be necessary in fiscal year 1984? If so, how much and on what loans?

Answer: CCC can reasonably expect claims against Poland, Sudan, and Romania to continue. Our total exposure on payments coming due in FY 1984 is $274.1 million as follows:

Country	Millions of Dollars
Poland	233.9
Sudan	22.2
Romania	18.0
Total	274.1

COMMODITY CREDIT CORPORATION

Question: Please provide a schedule of the spend-out on the $10.4 billion requested for CCC in fiscal year 1984 and a month-by-month estimate of the borrowing authority that would be available during the fiscal year.

Answer: The information follows:

COMMODITY CREDIT CORPORATION

Analysis of CCC Borrowing Authority, Fiscal Year 1984
($ millions)

	Borrowing Authority Available Assuming FY 1983 CCC Supplemental Appropriation
Borrowing Authority Available, Start of FY 1984	4,199.5
Appropriations for FY 1984 (Assumes October Enactment):	
CCC	10,413.0
Wool	87.7
PL 480	1,052.0
Subtotal, Funds Available	15,752.2

	CCC/PL 480 Net Disbursements(-)	Balance of Borrowing Authority
October	-611.0	15,141.2
November	-1,165.0	13,976.2
December	-2,057.0	11,919.2
January 1984	-3,906.0	8,013.2
February	-887.0	7,126.2
March	-426.0	6,700.2
April	+187.0	6,887.2
May	+80.0	6,967.2
June	+46.0	7,013.2
July	-278.0	6,735.2
August	-624.0	6,111.2
September	-666.6	5,444.6

NOTE: This analysis is based on the CCC FY 1984 President's Budget Estimates (with PIK). Included in the budget is the assumed collection of $1,344 million in milk marketing fees in FY 1984, and $920 million in FY 1983.

Question: What would the impact be on these monthly estimates should the proposed legislative changes on target prices, etc., not be enacted and the dairy assessment not be collected?

Answer: CCC outlays for fiscal years 1983 and 1984 reflect passage of proposed legislation which would hold minimum target prices at their 1983 levels, make the honey price support program discretionary, modify the ELS cotton price support mechanism, and eliminate the ELS cotton allotment and quota systems. If this legislation is not passed, CCC outlays will increase by $20 million in FY 1983 and $404 million in FY 1984 from outlays projected in the President's Budget. If CCC is prevented from collecting the dairy assessments, CCC net outlays would increase $920 million in fiscal year 1983 and $1,344 million in fiscal year 1984.

We will gladly provide for the record estimated increases in monthly outlays as a result of proposed legislation not enacted and nonreceipt of the dairy assessments.

The information follows:

ESTIMATED FY 1984 OUTLAYS DUE TO PROPOSED LEGISLATION NOT ENACTED AND NONRECEIPT OF DAIRY ASSESSMENTS

(thousands of dollars)

October 1983	148,600
November	182,800
December	171,000
January 1984	179,500
February	160,800
March	189,600
April	118,700
May	115,300
June	116,000
July	117,200
August	120,600
September	127,900
Total	1,748,000

COMMODITY CREDIT CORPORATION COMMODITY DISPOSAL

Question: What are the current costs associated with processing cheese into form suitable for making it available for domestic distribution?

Answer: Currently CCC is paying approximately 12.5 cents per pound for processing and 10 cents per pound for cutting and wrapping CCC-owned 40-pound blocks of Cheddar cheese into consumer-size packages.

Question: Has CCC considered purchasing dairy products directly in a form suitable for direct distribution in order to avoid reprocessing and packaging costs?

Answer: Reprocessing and repackaging CCC-owned dairy products allow USDA to rotate its inventory to avoid spoilage. Currently, Food and Nutrition Service's orders for cheese and butter exceed the industry's capacity to convert CCC-owned bulk dairy products into consumer-size packages; therefore, USDA is attempting to increase the availability of dairy products in consumer-size packages by purchasing them under competitive bids and at announced prices. Since last summer, about 4 million pounds of process cheese have been purchased for $1.4425 per pound (7.75 cents per pound above the bulk purchase price) and about 27 million pounds of print butter have been purchased for $1.5175 per pound (2.75 cents per pound above the bulk purchase price).

TOBACCO PROGRAM

Question: What are the estimated costs associated with the administration of the tobacco price support program in fiscal year 1984 and how does this compare with fiscal year 1983?

Answer: We estimate ASCS costs at $14.6 million in FY 1984 and $13.6 million in FY 1983 for administering the tobacco price support program.

Question: What is the current value of loans outstanding for tobacco?

Answer: The total principal and accrued interest owed CCC on tobacco loans outstanding as of January 31 was $1.803 billion, of which $347.6 million was accrued interest.

Question: What are the estimated annual interest costs associated with this tobacco?

Answer: The average annual interest cost for this tobacco is approximately $130 million.

Question: Legislation approved in 1982 provided that tobacco producers and allotment owners pay an assessment to offset the costs associated with the tobacco program. The current fee on flue-cured tobacco is seven cents per pound. Please describe the methodology used in determining the current fee level and the assumptions used as to costs, losses, etc.

Answer: Estimates for the needed fees are based on the accrued interest costs to CCC compared to market prices at the time of final disposition of a crop in 5 or 6 years. It is estimated that interest rates charged CCC will be about twice the increased rate of market prices. For sales to be made on a competitive basis, the No Net Cost Tobacco Fund should be an amount equal to one-half the anticipated interest accruals.

The fee charged on the 1 billion pounds of 1982 crop flue-cured tobacco sold was 3 cents per pound. This fee generated $30 million, which was the amount of projected losses for a loan volume of 100 million pounds. Since loan volume for the 1982 crop was actually 260 million pounds, an additional $60 million is needed for the No Net Cost Tobacco Fund.

In order to recover the $60 million shortfall on the 1982 crop, it is necessary to raise the fee on the 1983 crop from 3 cents per pound to 7 cents per pound. The 3 cents per pound will cover the projected 1983 crop losses of $30 million. The additional 4 cents per pound fee will generate $40 million of the $60 million 1982 crop shortfall. The remaining $20 million for the 1982 crop will be collected on the 1984 crop.

FARM STORAGE FACILITY LOANS

Question: What is the level of farm storage facility loans that will be made in fiscal year 1984?

Answer: The President's FY 1984 Budget includes $30 million for new storage facility loans in FY 1984.

COMMODITY CREDIT CORPORATION

Question: The notes indicate that approximately $454 million will be utilized by CCC for transportation costs. Please detail why this figure is so high and what commodities will be transported with these funds.

Answer: Of the estimated $454 million in FY 1984 transportation costs, $357 million is for ocean transportation costs for commodities, primarily wheat and wheat products, under Title I and Title II of P.L. 480. These ocean transportation costs are funded under the P.L. 480 appropriation. The remaining $97 million consists of price support and related transportation costs of $42 million for dairy products, $37 million for wheat, $16 million for feed grains, and $2 million for rice and other commodities.

Question: The notes indicate that funds for equipment for CCC will have tripled by fiscal year 1984 over fiscal year 1982. What has caused this increase and for what will these funds be used?

Answer: The increase in outlays for CCC equipment includes replacement of obsolete or worn out equipment necessary to administer CCC programs in some 2,750 county offices. However, the major portion of the increase relates to the Agency's Information Resources Management Plan. This plan includes a new ADP and communications system in support of CCC operations, and the establishment of a joint ASCS-FAS data base which will include information on local production of, and foreign demand for, agricultural commodities. Outlays for the joint data base effort will occur largely in fiscal years 1983 and 1984, while outlays for the communications system in support of CCC operations will not be outlayed until after FY 1984.

Question: Please provide an estimate of the losses that have been realized by CCC as the result of grain warehouse bankruptcy.

Answer: Net losses incurred by CCC as the result of grain elevator liquidations are estimated to be $77,270 in calendar year 1981 and $229,311 in calendar year 1982.

REVOLVING FUND

Senator COCHRAN. Now, let's move on to the international programs. We have FAS, OICD, and, of course, CCC.

Mr. Tracy, I would like to get back right now, if we could, to this question about the export credit revolving fund. In conference last year, my counterpart over on the House side, Mr. Whitten, who is my dear friend, made a very persuasive argument that the Commodity Credit Corporation charter provides for what is, in effect, a revolving fund for export sales abroad. We keep having to deal with the urgings of the American Soybean Association and some other groups around the country that there needs to be a special revolving export credit fund created and funding provided. And, as a matter of fact, there is in the bill pending before the Senate right now, $500 million to be earmarked and made available to capitalize the export credit revolving fund. What is the attitude of your office about that provision? Is it something that would be useful in addition to the other tools that you have available to help stimulate sales of American agricultural commodities overseas?

Mr. TRACY. Mr. Chairman, I do think it could be useful. It is really a question of outlays. We already are making outlays for direct credit through the blended credit program, as I pointed out. As I also pointed out, the authorities under whom this is done—the two acts—do not provide for those funds to go back into the same program again. Any additional program or authority simply has to be weighed in light of our overall budgetary goals and in light of the other efforts we are taking to promote agricultural exports. We do feel the blended credit program has been very successful. We appreciate the move to provide additional authority for us that we utilized this fall. That was a discretionary authority, and we have gone ahead with the budgetary authority from the President. The President announced it himself, as I am sure you remember. So we do feel that we have taken advantage of this, but a further funding of it or further amounts have to be viewed in the balance of overall budgetary objectives of the administration.

Senator COCHRAN. What is the budgetary impact of a projection like that? My impression is that it had little or no impact on the budget.

Mr. TRACY. Well, it depends on how you do it. If you do it as I believe this bill would, it would be a budgetary outlay; otherwise, it can be done through the CCC revolving fund which, as you have seen, just delays our coming to you for the funds. Initially there is an outlay, certainly.

Senator COCHRAN. Initially there is an outlay?

Mr. TRACY. Either way, whether you do it through the CCC revolving fund or whether you do it through a direct appropriation.

Senator COCHRAN. Under the current appropriation bill, there is a cap on direct export credits of $500 million. Is there a need to remove this cap? I notice that there is no requested cap for fiscal year 1984.

Mr. TRACY. I don't think so, Mr. Chairman. We have received approval from OMB to use $350 million for the blended program. We haven't spent all of that yet. When we are done with that, we will look at it again and see if it is appropriate and if we can justify asking for an increase. With or without that ceiling, we do feel we have the authority to proceed with a program like this under the CCC charter.

PREPARED STATEMENT

Senator **Cochran**. I started off by asking you questions and haven't given you an opportunity to make an opening statement. At this time, I will refrain from asking any further questions and ask if you have a statement you would like to make to the committee summarizing the request that is before us. I would be happy to hear from you.

Mr. **Tracy**. Mr. Chairman, I have a statement which has been submitted for the record. I will not repeat that, but I would just like to briefly touch on two particular programs that I think graphically illustrate the value of some of the things these two agencies do for the American farmer.

[Mr. Tracy's statement follows:]

STATEMENT OF ALAN T. TRACY

Mr. Chairman, Members of the Committee, thank you for the opportunity to appear before you to discuss the international portion of the International Affairs and Commodity Programs area. With me today are Dick Smith, Administrator of the Foreign Agricultural Service; Mel Sims, the General Sales Manager; and Joan Wallace, the Administrator of the Office of International Cooperation and Development.

Agricultural Export Development

Long-term, sustainable export growth remains one of the highest priorities of this Administration. Agricultural export earnings bolster the U.S. economy, generating at least two dollars in activity for each dollar of exports. They diminish the balance of payments deficit. They account for more than one of every five dollars in farm income. They create jobs.

Despite the high priority placed on this area, agricultural exports fell in both volume and value last year. Many factors were responsible:

- Global recession and tight credit
- Record global output coupled with slowing growth in consumption
- Heightened competition among exporting countries
- Protectionism and export subsidization in certain markets, significantly and unfairly influencing trade
- A strengthened dollar, making imports from the U.S. more costly.

These same factors will continue to influence U.S. export prospects in the year ahead.

Maintaining and expanding export markets is of such importance that the President has decided to pursue broader initiatives on the trade front. As one example of his commitment in this area, the President announced on January 11 a major expansion of the "blended credit" export program initiated by the Secretary. We also recently concluded an agreement with Egypt to supply one million tons of flour at favorable prices. In addition, at the President's direction, we at USDA will continue to work hard with the Office of the United States Trade Representative to open more markets to our agricultural products, and to meet unfair competition.

Both the Secretary and I have traveled outside the United States this year in a continuing effort to represent our interests abroad. The Soviet grains agreement has been extended another year; regular consultations are tentatively scheduled for the last week in March. We feel that a second long-term agreement would benefit both the U.S. and the U.S.S.R.

On January 11, the President signed contract sanctity legislation that will help to restore our reputation as a reliable supplier.

FY 1984 Budget Request

The Administrators will provide the details of the budget requests for their agencies, but I would like to make a few general comments.

The Foreign Agricultural Service plays the key role in agricultural export expansion efforts. For FY 1984, we are requesting an increase in funds for FAS to provide for real growth in foreign market development, and to cover inflationary cost increases in other programs. The budget proposal was developed by working with private cooperator groups to identify country/commodity combinations that have significant potential for export growth. The development of exports in the areas with the greatest potential can lower government program costs, increase federal tax revenues, and generate increased economic activity and jobs.

P.L. 480 is an integral part of our export expansion efforts. Recipients of P.L. 480 often graduate and become important commercial customers. We are proposing to continue the P.L. 480 program at approximately the same dollar level in FY 1984 as we have in FY 1983.

We will continue to offer an aggressive credit program. In FY 1983, we will offer a minimum of $5.1 billion in export credits; in FY 1984, we have included $3.1 billion. The level of credit will be adjusted to respond to changing needs.

The Office of International Cooperation and Development is the lead agency of the Department for international agricultural development. OICD's activities in the areas of training and technical assistance and scientific and technical exchange, as well as international agricultural research, are expected to continue at a slightly reduced level in FY 1984. The budget includes a supplemental request of $3.0 million for the Foreign Currency Research program in FY 1983. This program uses excess foreign currencies to fund foreign research with substantial benefits for U.S. agriculture.

Mr. Chairman, I appreciate the opportunity to be here today, and look forward to working with you in implementing our proposals.

FOREIGN MARKET DEVELOPMENT

Mr. TRACY. The foreign market development program has been of tremendous importance in increasing U.S. agricultural exports from their $5.5 billion level in about 1970 to in the $40 billion range now. Just to give an example of how that has worked, approximately 20 years ago the U.S. Feed Grains Council noted in Spain how lambs were being slaughtered. Lamb is a very popular meat in Spain. They developed some lamb feeding trials and demonstrations. This system was eventually adopted by the Spanish, and the result was many-fold.

They developed a feeding industry, which is a Spanish industry. They developed a feed formulation industry, along with the development of the poultry industry at the same time. The Spanish farmer had somewhere to go to sell his lambs besides the fresh slaughter market. The one probably most important point to the government of Spain and really to the people of Spain was that, from the same productivity base they just about tripled their available meat slaughtered by slaughtering these lambs at 90 pounds instead of 30. Of course, the important thing for us in the long run is that Spain has been, year after year, an excellent customer for U.S. corn and soybeans as a result of that kind of a program.

I think this is a demonstration of how a rather modest input of these market development dollars, matched, by the way, with contributions from U.S. farmers through their checkoffs, is of tremendous benefit in building and maintaining those markets. Spain continues to be a very important market for our feed grains and soybean products.

On the OICD side, I would like to mention the training program they have. This year this program expects to train over 1,800 people from overseas in this country. Over the life of the program, they have trained over 70,000 people. These people have often gone back to become leaders in their countries. Many have appeared later at high levels in their agricultural ministries. There is a meeting this week in Washington of the people who actually carry out the training we coordinate. The land-grant colleges and their representatives are here from almost all 50 States for this meeting which is being conducted under the auspices of the International Science and Education Council.

This program is carried out without any budget outlay by USDA. The funds are provided largely by AID and by FAO. We do, of course, rely on the personnel ceilings that are part of our budget presentation. I just thought that was worth pointing out.

Those foreign students leave, we hope, with a good feeling about America and an understanding of our way of life. I think that brings long-range benefits to the United States when they return to their countries.

With that, I certainly welcome questions, as do Mr. Smith, Joan Wallace, and Mel Sims, the general sales manager.

Senator COCHRAN. Mr. Smith and Dr. Wallace, we are happy to have you here. Do you have any statements that you would like to make before I get to the "questions" part of the hearing?

Mr. SMITH. Thank you, Mr. Chairman. We do each have a prepared statement which we will submit for the record.

[The statements follow:]

STATEMENT OF RICHARD A. SMITH

Mr. Chairman, we appreciate the opportunity to appear before the Subcommittee once again -- to present the budget request of the Foreign Agricultural Service and to discuss with you some of the initiatives we have undertaken in an effort to deal with the slowdown in farm product exports. We are grateful for the support that the Chairman and the Subcommittee have given to the export programs over the years. Events of the past year have made it more necessary than ever that we use wisely and effectively the funds appropriated for these purposes. We welcome the opportunity to have your advice and counsel.

The decline in agricultural exports is a problem that we all share -- farmers, rural communities, agricultural business people, their representatives in Congress, and we in the Executive Branch.

In the Foreign Agricultural Service, we feel a special urgency because it is our job to expand export trade and protect the U.S. farmer's position in existing markets. We feel this responsibility deeply. We are determined to press every opportunity and every opening to move products into foreign markets and to protect the U.S. position in those markets.

In FY 1982, there was a general decline in global trade, resulting primarily from a general slowing of the world economy. U.S. exports of all products fell off by about $14 billion or 6 percent. American farmers suffered more than their share of this trade loss, and this is reflected in low commodity prices. Agriculture's problem is compounded by huge commodity supplies in both exporting and importing countries and by a number of special problems affecting our competitive position.

Some of these problems will yield to time. We can be confident that in time the world economy will improve. We know that global oversupply will not be a permanent condition and that population growth will inevitably increase the demand for food. But we also know that we cannot wait. American farmers are hurting NOW. Their overseas markets are in jeopardy NOW.

Why the special urgency? Because we have not only suffered an absolute decline in export sales, as have other exporting countries, we are also experiencing a decline in our share of the world market. Other exporting countries are expanding their shares of the world market at our expense, and as a result their trade has declined proportionally less than ours.

In 1980, the United States had 71 percent of the world market (excluding intra-EC trade) for coarse grains. In two years our share fell to 59 percent. Our share of the world wheat market fared somewhat better until the current year, but it is now falling rather sharply. We are also concerned about declines in our share of the global markets for cotton, soybean meal and oil, rice, and poultry. In some of the high value products, poultry for example, we have been virtually wiped out of traditional markets.

This decline in market share is a very serious concern. It means that world economic recovery will not necessarily restore growth to our export trade. It means that we have serious competitive problems that prevent us from holding our own with other exporters in this declining market.

In our view, the opportunity to protect market share falls within a narrow "window" of time. Market share, once lost, is very difficult to regain. Our projections for two years ahead show that the U.S. market share will continue to decline unless we act forcefully to defend ourselves. If we are to fully benefit from the next cycle of world market expansion, we need to reverse that situation and position ourselves for growth.

We are doing everything we can to make that happen.

Export Credit

We are using export credit in new and different ways, and we are finding these innovations to be more helpful than we had ever expected. The lesson of the past five months is that the aggressive use of CCC credit at realistic interest rates can help us to gain and maintain market share in a highly competitive economy.

Until last October, our credit programs were limited to credit guarantees under GSM-102. The straight use of GSM-102 to provide all-risk insurance to commercial lenders has proved very useful, and this program has been expanded substantially in the past two years.

It was becoming apparent, however, that we needed a way to lower interest rates if we were to successfully counter the subsidized rates of other exporting countries. On October 20, Secretary Block announced the blended credit program with an authorization of $100 million in direct interest-free credit under the existing but inactive program, GSM-5. The $100 million, combined with $400 million in guarantees under GSM-102, would enable us to substantially lower the average rate of interest.

Within a very few days after that announcement, we had teams in the field discussing blended credit sales directly with foreign governments. Within two weeks, the first blended credit package was approved. In less than two months, all of the $500 million in funding had been exhausted. We had allocated blended credit to eight countries for the purchase of U.S. wheat, corn, rice, soybeans, vegetable oils and oilseed meals, cotton, tallow, and other products. We had assured the export of more than 2-1/2 million tons of these products. And we knew that the potential was there for still greater sales with the help of blended credit.

On January 11, President Reagan announced a new authorization to utilize $250 million of direct interest-free credit in a program to total more than a billion dollars of blended credit. On February 14, the first credits were approved under the new program -- for the sale of corn, rice, soybeans, wheat flour and lumber to Jamaica. Other approvals followed, and more are coming. May I list a few examples that demonstrate what can be done with the energetic use of effective credit programs?

Morocco. The first credit package authorized last October under the new blended credit program was for the sale of wheat to Morocco -- $140 million. This paved the way a few days later for an additional $50 million in straight credit guarantees. The result is that the U.S. now has virtually the entire Morocco wheat market of some 2 million tons, which the French had previously dominated with the help of export subsidies.

Egypt. Another blended credit package enabled the U.S. to export some 800,000 tons of agricultural commodities. The Egyptian blended credit package of $110 million provided for the sale of 500,000 tons of wheat, 300,000 tons of corn and 50,000 tons of vegetable oil.

Philippines. Another credit package, negotiated with the Philippine Government, provided for exports of 200,000 tons of agricultural commodities. The $40 million blended credit package allowed the country to increase its imports of wheat by 100,000 tons, corn by 50,000 tons and soybean meal by 50,000 tons.

Yemen. Another credit package, negotiated on the scene with the Yemen Arab Republic, allows that country to increase its wheat and rice imports and gives the U.S. 100 percent of those markets in 1983 -- about 360,000 tons. This package provided for blended credits of $60 million and $3.3 million in regular credit guarantees.

Iraq. A credit guarantee package enabled the U.S. to supply most of Iraq's rice import requirements, a major share of its wheat needs, and a substantial amount of barley, and several other commodities. This arrangement began with an Iraqi grain trade team brought to this country by the Rice Council, one of the market development cooperators. Another cooperator, U.S. Wheat Associates, joined in to make this a combined effort, and credit was brought into the bargaining.

These credit arrangements, and others that have been and will be completed, are important beyond the substantial totals actually negotiated. They demonstrate what can be done with aggressive and innovative credit and sales programs. They help our exporters enter and dominate markets that will grow and become more lucrative over time. They give us substantial market share that we can build on in the future.

And frankly, Mr. Chairman, we had no idea the blended credit program would be as successful as it turned out to be.

Trade Policy Issues

A second major thrust of FAS activity is in the area of gaining and maintaining market access. One of the thorniest problems we have in trying to maintain market share is the tendency of major trading countries to restrict imports at the border and to compete unfairly in third markets.

The worst offender is the European Community, which not only restricts imports but uses export subsidies in very destructive ways. These subsidies allow the Europeans to undercut world prices, move into traditional U.S. markets, and capture market expansion that otherwise would have gone to U.S. producers.

The U.S. has been patient for too long in trying to resolve the EC subsidy problem. We have exhausted the normal remedies of bilateral discussion and multilateral action through the GATT. We have learned through patience and reason that the Europeans will not respond to those virtues.

The recent arrangement with Egypt for the sale of 1 million tons of U.S. wheat flour to that country was a direct and selective action to make this product competitive in world trade. In recent years, the EC has dominated the wheat flour market in Egypt with product shipped under export subsidy. In January, we traveled to Cairo and took over that market through the creative use of CCC credit and competitive pricing.

The package includes GSM-102 credit guarantees along with a low price to be made possible by the awarding of CCC-owned wheat to millers who bid successfully for the business. This negotiated price of $155 a ton made it possible for us to compete successfully with the European Community.

The sale to Egypt is of direct and substantial benefit to U.S. millers and the workers employed in those mills. But it also serves notice to the Europeans that we are not content to lose market share to competitors who have the ability to take over our markets only because they subsidize those sales out of the EC treasury.

We are not undertaking a trade war and don't intend to do so. But the Europeans have been subsidizing exports into traditional U.S. markets for a long time. It is evident that they will not consent to negotiate these policies until they understand that they will be made to pay a high price. We are trying to make that point through limited actions on a selective basis.

We continue to meet with European leaders. A series of bilateral discussions was scheduled following the failure of the GATT Ministerial to effectively address the export subsidy issue. These follow-up meetings were held in Washington on January 11-12 and in Brussels on February 9-10.

EC trade policies have been particularly damaging to our exports of high-value products, including wheat flour. In the Middle East and other areas, they have undercut our sales of poultry and meat products -- to the point where we are virtually out of the export business in some of these commodities.

We are focusing greater attention on the export of high-value products because the processing functions create American jobs and the added exports help agriculture as well as the overall economy. Over the years, we have not done very well in expanding sales of high-value products, given our efficiency in production and processing. We have only about 10 percent of the world trade in those products, which is far below our overall share in the bulk commodities of around 40 percent.

Our efforts to expand high value exports include new activities to promote these sales abroad, and I will detail some of those later. But they must also -- and perhaps more importantly -- be directed at expanding access for those products, since it does no good to promote if we cannot get our products across the border; hence, our efforts to change EC trade policies that hurt us in third markets and our efforts to effect changes in Japan's import restrictions on high-value products.

Recent discussions with the Japanese have not produced any major breakthroughs. The Japanese have announced a number of tariff revisions, some timed strategically ahead of Prime Minister Nakasone's visit in January. On the positive side, these announcements brought tariff cuts on 75 agricultural products that have a trade value of $300 million for us in exports to Japan. Japan has also agreed, as of last June, to permit the entry of American wild rice, and we now have underway a trade promotion there.

But in general, the Japanese have not addressed our major agricultural concerns, in particular Japan's import quotas on beef and citrus products. We are awaiting a more forthcoming proposal from the Japanese.

We continue to monitor trade restrictions in other markets as well -- and to press for changes where our trading rights are being hurt or where sanitary and health regulations are being used in an unreasonable way to restrict trade. For example, we have secured from Taiwan an effective across-the-board reduction of five percent in import charges. We are actively involved in discussions with the Italians to get duty free access into the European Community for U.S. almonds.

Market Development

For about 18 months now, we have been through a comprehensive planning process in order to pinpoint market development activity to those countries and commodities where opportunities are greatest. We have established cost-benefit ratios, and this budget proposal includes a request for additional funds based on that planning. The plan established priorities to help use our funding in the most effective manner.

As a part of this process, we have simplified the workload carried by the market development cooperators so that they can spend less time and resources on administration and more on market development and sales promotion. Auditing procedures have been simplified as part of this process.

Parallel to this streamlining of cooperator activity, we have evaluated procedures within FAS to assure that the Agency's market development work is as efficient and effective as we can possible make it. To that end, we have made personnel reassignments in Washington and at posts throughout the world.

One of these changes is the establishment of an Agricultural Trade Office in Jidda to spearhead export development in Saudi Arabia as well as in neighboring countries. This brings to 11 the total number of agricultural trade offices, established at the initiative of Congress beginning in 1978. These offices, authorized by the Agricultural Trade Act of that year, provide focal points for USDA, cooperator, and industry activity in Europe, Asia, Latin America, and Africa.

Working with our market development cooperators, we have identified some market development opportunities for which a P.L. 480 Title I sales program appears appropriate. Our FY 1984 budget request includes tentative Title I allocations for the following countries which have not previously received Title I assistance: wheat flour for Yemen, rice for Niger, and vegetable oil for Guatemala.

In addition, we intend to program vegetable oil to several countries, including Morocco, which have previously received only grains through Title I/III. These activities will be in addition to continued market development efforts through Title I/III in recipient countries, such as Egypt, Indonesia, Pakistan, Peru, and Sri Lanka.

The Foreign Agricultural Service is working closely with the National

Association of State Departments of Agriculture on a major international food show in Atlanta this coming May. This will be the first show of its kind to represent food exporters from all over the United States. We hope to have 600 to 700 exhibitors from most of the 50 states and to attract at least 1,000 buyers from all over the world. Our goal for that show is a permanent increase of $100 million in our exports of high-value products.

The state departments of agriculture have the responsibility for enlisting exhibitors while the FAS overseas staff is working to attract foreign buyers to Atlanta. This is a new chapter in our cooperation with the National Association of Departments of Agriculture, which should have an increasing role to play in the export of processed and consumer-ready items.

It is important to maintain and strengthen the U.S. export development thrust in all commodities, bulk and processed, in markets thoughout the world. We know that the world will return to a new period of trade growth as economic recession subsides and commodity stocks are in a better adjustment. Meanwhile, we must be aggressive in turning the situation around for U.S. agriculture, and in doing so we must strengthen our market development work to take full advantage of the global market growth that we expect in the future.

Budget Request

CCC Export Credits

We plan to continue to make available up to $3.0 billion in CCC Export Credit Guarantees in fiscal year 1984 to help maintain and expand existing markets and to penetrate new ones. This represents no direct outlay of budget funds unless and until there is a case of non-payment to the U.S. banks that actually make the loans. In addition, $100 million will be available for direct loans and $75 million for other export promotion activities under the multi-year authority of the Omnibus Budget Reconciliation Act of 1982. These amounts can be adjusted depending on the need to expand exports.

Because the Secretary of Agriculture has discretionary authority under existing CCC statutes to use CCC borrowing authority for short-term direct export credits, we are also requesting that the limit on direct loans contained in the FY 1983 appropriations bill be deleted. We will continue to use a blend of credit programs as necessary to maintain U.S. market share and expand exports of U.S. products.

In FY 1984, we are requesting a total P.L. 480 program level of $1,522 million, an increase of $13 million from the FY 1983 level. Our request for the Title I/III sales program is $872 million, which will provide long-term concessional financing for 3.7 million metric tons of agricultural commodity exports.

For the Title II program, we are requesting a program level of $650 million to provide 1.7 million metric tons of food donations. Total export tonnage for P.L. 480 programs in FY 1984 is presently estimated at 5.4 million metric tons, a decrease of 300,000 metric tons from FY 1983 due primarily to higher projected commodity prices.

General Sales Manager

For the FAS General Sales Manager to carry out these programs, we are requesting $5.904 million to be funded by allotment from the Commodity Credit Corporation. This represents an increase of $76,000 for restoration of pay costs absorbed by FY 1983 and $126,000 for miscellaneous costs.

Foreign Agricultural Service

The budget request for FAS salaries and related expenses in FY 1984 is $85.2 million. This represents an increase of $10.3 million over the adjusted FY 1983 estimate. This increase will assure the agency sufficient resources to maintain current efforts and to expand markets for U.S. commodities. The major portion, $4.3 million, of the requested increase will be allocated to new market development activities in countries that we have identified through intensive strategic planning as having the best potential for increasing imports of U.S. commodities.

The need to offset inflation accounts for $1.9 million of the total increase requested. Of that amount, $251,000 would be allocated to Foreign Market Development and $959,000 to Foreign Agricultural Affairs -- that is, the activities of agricultural counselors, attaches, and agricultural trade officers posted abroad. The overseas inflation increase is needed to meet added costs for such items as expected increases for wages of foreign nationals, payments to the Department of State for higher administrative support costs, and housing and related costs for U.S. citizen employees.

The remaining $644,000 is requested to maintain other activities at FY 1983 program levels.

The FY 1984 estimate also includes an additional $3.5 million reimbursement to the Department of Commerce for our pro-rata share of the cost of operating the LANDSAT satellite system used in the analysis of foreign crop conditions. This increase restores the payment to the Department of Commerce to the level originally proposed for FY 1983. Remote sensing data play an integral part in our market intelligence system.

Lastly, an increase of $587,000 is requested for restoration of pay costs absorbed in 1983.

Once again, Mr. Chairman, thank you for the opportunity to meet with you.

STATEMENT OF DR. JOAN S. WALLACE

Mr. Chairman, members of the Subcommittee, I am pleased to have this opportunity to discuss the work we do at the Office of International Cooperation and Development.

Even though we are a small agency, our contributions to American agriculture and international cooperation are significant.

In discussing the OICD activities for which we seek appropriated funds in fiscal year 1984, it will be helpful for you to see those activities in the context of the broad spectrum of OICD's total operations. A very brief overview will provide that context.

Training and Technical Assistance

Those of you who have served on this subcommittee in past sessions know that our work is primarily developmental, and you know that this work is paid for mainly from sources other than USDA; namely, from the U.S. Agency for International Development, foreign governments, and international organizations. Technical assistance and training, our two major activities in terms of dollars and personnel, are paid for almost entirely from those sources.

Last fiscal year we sent 827 specialists to 50 countries to help reduce the hunger, poverty, and illness that scar the developing world. Estimates of world hunger vary, but some put the number of malnourished as high as 1 billion, a quarter of the human race. Our technical assistance projects combat these problems by strengthening agriculture in the developing world.

Our training programs have similar goals. Since the early 1950's, 70,000 foreign nationals have received training through USDA. Last fiscal year alone we arranged and conducted training for 1,773 agriculturists from 96 countries.

These reimbursed technical assistance programs address the agricultural problems of developing countries, and also produce significant benefits for American agriculture. Technical assistance projects in Tunisia and Botswana, for example, have helped sales of U.S. agricultural products. According to reports from USDA's agricultural attaches, OICD's training programs have assisted the Department in its drive to market U.S. farm products in the developing world.

These technical assistance and training programs have the added merit of helping to counter the massive assistance which the Soviet Union and its allies offer the developing countries.

FY 1984 Budget

Turning to our appropriation-funded programs, I believe you will find our budget request is modest and in keeping with the need for restraint in federal spending. For fiscal 1984, we are requesting slightly over $4 million dollars for International Scientific and Technical Cooperation. This includes $500,000 for USDA's Plan of Action for Agricultural Modernization in the Caribbean Basin (CBI). Most of these CBI funds will be distributed to other USDA agencies for projects in the Caribbean.

We are also requesting $6.1 million in foreign currencies to conduct research projects overseas. Being in foreign currencies, this appropriation will not affect federal outlays.

Goals

With the need to curb the federal budget, one may ask "Why spend money on programs overseas; what do the farmers in Kansas, Nebraska, or Texas get out of these programs?" The answer is, they gain a great deal from them. The activities funded by appropriations are designed specifically to help American agriculture.

American farmers benefit directly from our programs when they reduce trade barriers, when they provide improved methods of agricultural production and protection, and when they increase the demand for American agricultural products overseas. Farmers benefit indirectly, but substantially, from our programs when they improve the general economic conditions within developing countries, because those countries are then able to be better trading partners with the U.S.

In this respect, OICD is a problem-solving agency. We focus U.S. expertise on international projects that will help solve pressing agricultural problems worldwide. What kinds of problems?

o INSECTS. 500 species of insects inflict $2 billion worth of damage on U.S. crops annually. Of those, about 250 species have developed resistance to insecticides.

o TRADE BARRIERS. Barriers curb sales of U.S. agriculture products abroad and undermine the livelihood of farmers across our country.

o ECONOMIC CRISES. Conditions in the Caribbean and in developing countries around the globe seriously undermine political and social stability. Because international organizations and the development banks significantly influence world agricultural development and trade, we must work to have U.S. agricultural interests represented in the formulation and execution of the policies and programs of these institutions.

To attack these problems OICD marshalls the resources of other USDA agencies, and those of the Land Grant and other colleges and universities and directs those resources on:

o international research;

o scientific and technical exchanges with other countries;

o liaison with international organizations; and

o development planning and analysis.

Improvement and Protection of U.S. Crops

Our programs contribute substantially toward the solutions of agricultural problems. I would like to highlight some of our program accomplishments.

o Farmers in the United States face crop losses of up to 23 percent in soybeans and 20 percent in high-yielding corn because of velvetleaf. The cost of controlling velvetleaf for these crops in just three states -- Illinois, Iowa, and Minnesota -- is $200 million a year. Studies in Pakistan, funded by our Foreign Currency Research Program, have led to the discovery of an insect parasite that kills this destructive weed by tunneling into the stem. After final testing, this parasite will be mass-reared and released wherever velvetleaf significantly damages American crops.

o Another project in Pakistan promises help for citrus producers in California, Florida, and Texas in fighting insect damage. Citrus-damaging insects, such as scale insects, are universal and cause millions of dollars of losses. Researchers are searching for parasites to introduce in citrus-growing areas to attack scale insects, thus improving control without damaging the environment.

o OICD is planning Foreign Currency Research in Burma. Here the goal will be biological control of cotton pests that damage cotton production in Texas, California, Arizona, and Mississippi. U.S. scientists are excited at the prospect of research in Burma because the Burmese ecosystem is unique and has never been explored to identify agents for biological pest control.

o In another project, Egyptian researchers have discovered a method to control insects in fruit orchards and vegetable plots. The method could have wide application in the United States. Scientists at Cairo University have demonstrated for the first time that a soil nematode will control the leopard moth borer in the 67 to 87 percent range in apple and pear orchards. It can also control the black cutworm in green beans. Test results show potential for a dramatic increase in yields of green beans up to twice the present levels.

o Maintaining adequate water supplies for farming has become a major problem in the Southwest. Under one of our bilateral programs, scientists at U.S. and Israeli universities are working together to find ways to use saline water and sewage effluents for irrigating crops in areas where water is at a premium.

o One of our biological pest control projects may have some very visible results nearby. Environmentally safe insecticides have not contained the gypsy moth; it has spread throughout New England and the Mid-Atlantic States. Last year, OICD sent scientists to India and the Soviet Union to study and collect newly discovered biological control agents. They returned with parasitic wasps and flies that attack gypsy moths. Field trials are already underway in Pennsylvania and Delaware.

o Several OICD activities should be of interest to pork producers in Iowa, Illinois, and other states. Researchers in Mexico and at the University of Missouri are developing and field-testing ways to identify latent carriers of the pseudorabies virus, a major cause of swine losses. In addition, OICD is working with APHIS to import swine germplasm from China to help American farmers boost their yields and profits. The Chinese are first-rate swine producers. Their litter size has been as high as 18 and averages out at 12 to 16. That is noticeably better than we are doing here in the United States.

o Our China Program is also engaged in efforts to help soybean producers. OICD is seeking ways to collect and import wild soybean germplasm which will help produce more disease-resistant varieties that can cut costs and improve yields on farms in Illinois, Iowa, and the other big producing states.

Beneficial Trade Effects

The strong dollar, the Soviet grain embargo, and unfair trade practices by our competitors have dealt serious blows to U.S. farm exports and threatened the livelihoods of countless U.S. farmers. OICD has carefully tailored a number of activities to help back up the Foreign Agricultural Service in its drive to maintain traditional markets and develop new markets for our farm exports.

Our scientific exchange and research programs not only contribute to the identification of new ways to improve and protect U.S. crops, they also make possible opportunities for increasing sales of U.S. agricultural commodities and products.

Scientific and technical exchanges have helped remove barriers to U.S. livestock sales to China and assisted FGIS in solving problems with the Chinese over the quality and standards for the grain they buy from the United States.

Given our troubled trade relations with China, these exchange activities take on added importance because both sides see profit in them. When members of the Senate Agriculture Committee visited Beijing last October, Vice Premier Wan Li singled out the U.S.-PRC Agricultural Exchange Program as a good example of cooperation between our two nations. The State Department reported that Agriculture Minister Lin and Vice Minister He also discussed these exchanges at great length "praising the benefits these programs have brought to both countries."

Nontariff trade barriers prevent U.S. exporters from achieving full market potential for some of their agricultural products, especially in the EC and Japan. This is another problem area where OICD has intensified its efforts. Sometimes the offer of scientific and technical assistance can bring needed support for U.S. positions on trade. For example, we are negotiating an agreement with Italy whereby, in return for technical assistance and other considerations, the Italians will press for the elimination of the EC import duty on American almonds. OICD, FAS, and the California Almond Growers are working out the details. U.S. almond exporters put the value of the U.S. almond market in the EC at $250 million annually. If the tariff is eliminated, this market can be maintained and may increase an additional $15 million in sales a year.

OICD's scientific and technical exchanges with Japan have resulted in a relaxation of overly stringent inspection procedures that have hurt U.S. sales of poultry and other meat products.

In Europe, OICD is working with the West Germans on the problem of blue tongue which has hurt U.S. livestock exports to the EC. The goal is to adopt a German serological test for blue tongue that is not now available in the United States. This has already saved USDA money and effort in research, and will help speed eradication of the disease in this country and improve the outlook for U.S. livestock sales to Western Europe.

Examples of other active projects with potential for enhanced U.S. trade include:

o Work with the Hungarians on near-infrared measuring of the quality of foodstuffs. This technique is cheaper and faster than conventional chemical methods and would be a valuable tool for U.S. grain exporters.

o A leather research project with the French is also promising and may lead to a $10 to $20 million market for sales of U.S. pigskin in Western Europe.

Involvement with Private Sector

Economic crises in many developing countries cause the U.S. considerable concern. In the last year or so, OICD has undertaken activities to address this problem, largely in furtherance of the President's proposals made at Cancun and his Caribbean Basin Initiative.

These efforts, and those of the Agribusiness Promotion Council recently established by the Secretary, are directed at facilitating the involvement of the U.S. private sector in overseas development work.

OICD has worked with the Agency for International Development on sending Presidential Agricultural Task Forces, drawn from the private sector and government agencies, to Peru, Thailand, Liberia, and Honduras. Most recently, OICD took the lead in sending another agricultural task force to Venezuela.

Caribbean Basin Initiative

We have requested $500,000 in our fiscal year 1984 budget for research, marketing assistance, and agribusiness development under the President's Caribbean Basin Initiative. A like amount has been requested as a supplement to our fiscal year 1983 budget. With these funds, we will work with other USDA agencies to modernize the Mayaguez Institute for Tropical Agriculture in Puerto Rico, and help Caribbean countries establish standards for the grading of their products.

Coordination with International Organizations

Serving as USDA's liaison with international agricultural organizations, OICD continues to advance U.S. views in international forums and protect American agricultural interests while encouraging those organizations to control expenditures. OICD is working with international organizations as one means for implementing the Caribbean Basin Initiative. In the case of the Organization for Economic Cooperation and Development, OICD is pressing for priority to be given to studies on trade issues that are vital for the well-being of the U.S. farm community.

At our request, FAO has reinstituted the collection of data on fiber consumption. U.S. cotton associations need this information to help their members develop more effective marketing strategies. We are working with ERS and FAS to improve the agricultural data on the Caribbean and Latin America through a cooperative project with the Inter-American Institute for Cooperation in Agriculture. This, too, should help U.S. exporters market their products more effectively.

As you can see from this overview of OICD's activities, the money spent on international cooperation and development helps us and our neighbors. By assisting others, we also help ourselves.

The nations that OICD assists in development have become important partners in trade. In 1971, U.S. farmers sold only $2.6 billion worth of products to these nations, a third of their exports. Ten years later the figure was $17 billion and had climbed to 40 percent of agricultural exports. In spite of the decline in farm exports last fiscal year, sales to developing countries were still $14 billion -- a substantial part of the total.

Poor countries cannot be the kind of trading partners we want and need. If we neglect their interests they are unlikely to be our partners in anything else.

The welfare of U.S. farmers depends on our ability to assist and cooperate with other nations. OICD will continue to promote international ties that will help strengthen American agriculture in the years ahead.

AGRICULTURAL EXPORTS

Mr. SMITH. Just very quickly, I would summarize our situation right now in agricultural exports as one where we are seeing a lot of competition, and we are having to work very hard to keep the momentum going in exports. We have two factors affecting us now. We have a world recession where demand is weak, and second, we are seeing a lot of competition from other countries.

As Mr. Tracy indicated, we have moved aggressively to offset these problems with our blended credit program. We had some very good successes with the initial program, and we are moving ahead now with a much larger program.

We have also moved with the support of many other agencies in the Government on a very aggressive program to remedy the export subsidy problem that we have been facing, which has become a major concern to us. I think the highlight of that was the effort we mounted in Egypt to recapture the wheat flour market.

So, I think the situation we are in right now is one of seeing economic activity expanding. I think that is going to help us a lot down the road in terms of exports. In the meantime, we are doing everything we can to hold that market share and compete as vigorously as we can.

I feel very comfortable with the budget request which you have before you. I think what is in there will enable us to continue doing what we think is important in order to keep the momentum going in agricultural exports.

Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Mr. Smith.

Dr. Wallace?

AGENCY OVERVIEW

Dr. WALLACE. Thank you, Mr. Chairman.

I am glad to be here this morning to discuss OICD's budget. Mr. Tracy has mentioned the development programs which are funded primarily by AID, the Food and Agriculture Organization of the United Nations, and funds from foreign governments.

For our programs funded through USDA appropriations for fiscal 1984, we are requesting slightly over $4 million for international scientific and technical cooperation. This includes $500,000 for the Caribbean Basin Initiative. The majority of this money, while it is in our budget, will be distributed to other USDA agencies for projects in the Caribbean.

We are also requesting $6.1 million in foreign currencies to conduct research projects overseas. This is the same amount as fiscal 1983 after considering the pending $3.1 million supplemental appropriation for this program. Since this research is funded with foreign currencies, there is no effect on the Federal outlays.

BENEFITS TO AGRICULTURE

Activities funded by appropriations are designed specifically to help the American farmer. American farmers benefit directly from our programs when we help USDA reduce trade barriers and provide improved methods of agricultural production and protection. Farmers benefit indirectly, but substantially, from our programs when we improve the general economic conditions within developing countries, because those countries are then better able to be our trade partners.

The strong dollar, the Soviet grain embargo, and unfair trade practices by our competitors have dealt serious blows to U.S. farm exports and have threatened the livelihood of U.S. farmers. Cooperating with developed countries, OICD has carefully tailored a number of activities to help back up the Foreign Agricultural Service in its drive to maintain traditional markets and develop new markets for our farm exports.

SUPPORT FOR U.S. TRADE

For instance, the offer of scientific and technical exchange and assistance can bring needed support for U.S. positions on trade. For example, we are negotiating an agreement with Italy, whereby in return for technical assistance and other considerations, the Italians will press for elimination of the EC duty on American almonds. OICD, FAS, and the California Almond Growers are working out the details. U.S. almond exporters put the value of the U.S. almond market in the EC at $250 million annually. If the tariff were eliminated, this market would be maintained and could increase by an additional $15 million in sales a year.

OICD's scientific and technical exchanges with Japan have resulted in a relaxation of overly stringent inspection procedures that have hurt U.S. sales of poultry and other meat products.

Scientific and technical exchanges have helped remove barriers to U.S. livestock sales to China and assisted the Federal Grain Inspection Service in solving problems with the Chinese over the quality and standards for the grain they buy from the United States. Given the troubled trade relations with China, these exchange activities take on added importance because both sides see profit in them. When members of the Senate Agriculture Committee visited Beijing last October, Vice Premier Wan Li singled out the U.S.-PRC agricultural exchange program as a good example of cooperation between our two nations. The State Department reported that Agriculture Minister Lin and Vice Minister He also discussed these exchanges at great length praising the benefits these programs have brought to both countries. Last year, we had 28 exchanges with China, and we will be having a soybean symposium there as a followup to the one that we had here in 1982. We will have representation from the American Soybean Association and from the University of Illinois and from the International Science and Education Council. The newly appointed chair is Dr. Louis Wise of Mississippi State University.

BIOLOGICAL CONTROL AGENTS

Our foreign currency research program continues to generate significant results in solving domestic agricultural problems through research overseas, particularly in the area of biological control of pests and weeds.

For example, U.S. farmers are currently facing crop losses of up to 23 percent in soybeans and 20 percent in high-yielding cotton due to velvetleaf. In just three States—Iowa, Minnesota, and Illinois—the annual cost of controlling this weed is $200 million. Studies in Pakistan, funded by the foreign currency research, have led to the discovery of a parasite that kills this destructive weed. After final testing, these insects will be mass-reared and released in affected areas.

You may recall we brought parasites from India and the Soviet Union which may help control the gypsy moth. They were released last year in field trials in Pennsylvania and New Jersey, and they will continue to be studied to see how they can be used to solve the gypsy moth problem. There is the potential for gaining other useful parasites from China.

DEVELOPING NATIONS AS U.S. MARKETS

The nations OICD assists in development have become important partners in trade. In 1971, farmers sold only $2.6 billion worth of products to these nations, a third of their exports. Ten years later the figure was $17 billion and had climbed to 40 percent of agricultural exports. Development assistance has paid off. Poor countries cannot be the kind of trading partners that we want and need. If we neglect their interests, they are unlikely to be our partners in anything else.

The welfare of U.S. farmers, therefore, depends on our ability to assist and cooperate with other nations. OICD will continue to work with developing countries in providing technical assistance and training and with the developed world on scientific exchanges to provide such things as, for example, soybean germplasm and swine germplasm from China—the swine there are supposed to produce up to 18 in a litter. To date, China has provided 70 varieties of soybeans, plus eight wild varieties. We are interested in learning more from the various countries about what they have to offer and, through our technical exchanges and our special foreign research program, in providing answers to agricultural problems for the American farmer.

Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Dr. Wallace.

OUTLOOK OF EXPORTS

First of all, let me say that I am very pleased to notice the increase in the requested funding for the Foreign Agricultural Service. I am convinced that this is a very wise investment of dollars and will have a direct correlation in the effectiveness of our effort to market American-produced agricultural commodities overseas.

We have seen a drop in the dollar value of our exports since you all were before the committee last year. Is there any expectation or hope that we will see an upturn next year at this time? What is the outlook for our export dollar volume?

DROP IN EXPORTS

Mr. SMITH. Mr. Chairman, for the current fiscal year that we are in, we are forecasting a further drop in exports. The current official departmental forecast is $36.5 billion. As I indicated previously, we have two factors working. One is the general drop in demand resulting from the poor economic activity in many of our markets around the world. We are somewhat optimistic that—with the expansion of economic activity in the United States—many other countries will follow with improved economic growth later in 1983 and 1984. They generally lag behind the United States from about 6 years to 1 year.

One problem that will somewhat dampen the improved foreign economic situation is the severe financial debt burden which many developing countries will face for the next few years. We are probably going to see that a lot of the initial increase in foreign exchange earnings will be going toward debt servicing. They are also under pressure to slow the rate of growth of their economies. However, for our feed grains and soybeans, the improved economic activity of markets not facing debt problems is going to be a very important key in the turnaround of export demand, and we may be seeing a turnaround already.

I think the best way to describe our present situation is that we were up against very weak foreign demand at a time when there was a tremendous increase in supplies around the world which resulted in aggressive exporting on the part of competitors. The name of the game now is to keep the market share. I think with some improvement in demand, we will see an increase in our feed grain and soybean exports. Cotton also would be affected favorably by an improved demand situation.

However, I must repeat that for fiscal year 1983, we are going to see another drop in agricultural exports.

ENERGY COSTS

Senator COCHRAN. We have been hearing that one of the reasons why demand around the world was weak was because of the necessity for putting so much of these countries' resources into energy costs. With the energy costs prospectively being lower because of the change in the world oil price by OPEC and all, some are hoping the economic situation is going to be improving in many of those countries who are our trading partners. Does the forecast that you have for us this morning take into account the recent reduction in oil prices?

Mr. SMITH. For this year, yes, clearly lower energy costs are going to benefit American agricultural exports. On the one hand, the tremendous upsurge in energy costs was very detrimental for countries that had to import a large share of their energy. These countries had to divert a lot of their foreign exchange to purchase energy rather than to buy into agricultural products. Those countries, obviously, now will have some relief in terms of energy costs. On the other side, some of our major markets are energy-exporting countries, like Nigeria and Mexico. They had forecast a continuation of high energy costs and either used up foreign exchange reserves or borrowed on the basis of high prices. Now they are in financial trouble. But overall, lower energy costs are going to help most of the countries we export to. It will help them to improve their economic growth prospects. It means they will spend less for energy and, hopefully, can devote more of the resources to imports of food. I think that lower energy costs are a contributing factor to our own economic growth, which is going to be the key for other countries to improve their prospects.

ADDITIONAL FUNDING FOR FOREIGN MARKET DEVELOPMENT

Senator COCHRAN. In the market development effort, I notice that $4.8 million of additional funds is being requested for the foreign market development activity. Is this going to be targeted in any specific area or simply included in your overall effort that you will continue to make? For instance, do you contemplate establishing any new trade offices or doing anything next year that you are not doing now?

Mr. SMITH. Mr. Chairman, we implemented a new budget planning exercise in the Foreign Agricultural Service where we have tried to specifically identify commodities in countries that we think hold the greatest potential for agricultural exports. We have gone through a rather extensive analysis, working very closely with our cooperators, who are basically the private sector that carry out this work overseas. As a result of this process, we have developed some cost-benefit ratios which directly relate to the money that we are requesting. We tried to identify what the constraints were in markets for these particular commodities and these particular countries. We attempted to determine what the costs would be to remove these constraints, and we did some analysis on what we thought the benefits would be in terms of increased sales. We tried to relate very directly increased sales to the specific activity. As a result of this cost-benefit ratio, we were able to determine priorities as to where we thought we would get the biggest bang for the buck. The bulk in here would be going for soybeans and soybean products. I can submit for the record the specific countries where we will be spending that money.

Senator COCHRAN. Did you say you could?

Mr. SMITH. Yes; I will submit that.

Senator COCHRAN. We would like to have that. That would be a good thing to include in our record.

[The information follows:]

FOREIGN AGRICULTURAL SERVICE
FY 1984 Budget Request
Foreign Market Development
Country/Commodity Export Expansion Packages

Country/Commodity	FAS Cost	FY 84-88 Avg. FAS & Coop. Cost	FY 84-88 Avg. Sales Increase (000)	Benefit Cost Ratio
Tobacco				
World	$ 25,000	$ 48,000	$ 9,900	207.0
Cotton				
Thailand	25,000	16,666	2,010	120.3
Philippines	10,000	6,667	670	100.0
Taiwan	25,000	16,666	1,650	99.0
Korea	75,000	75,000	3,080	41.1
Japan	100,000	100,000	3,432	34.3
PRC	30,000	20,000	821	41.1
Canada	30,000	30,000	31	10.3
Total - Cotton	295,000	255,000	11,594	44.1
Seeds				
Africa	25,000	50,000	4,300	86.0
Total, Tobacco, Cotton, and Seeds	345,000	353,000	25,894	71.3
Fresh Grapefruit (FDOC)				
Norway	800	3,800	335.0	88.1
Denmark	700	3,200	176.6	55.2
Sweden	4,000	13,240	726.4	54.9
Total - Fresh Grapefruit	5,500	20,200	1,238.0	61.9
Grapefruit Juice (FDOC)				
Japan	60,000	240,000	6,241.6*	26.1
Canned Corn (EIP)				
Taiwan	35,000	145,000	1,856.7*	12.8
Korea	20,000	161,700	1,654.2*	10.2
Total - Canned Corn	55,000	306,700	3,510.9	11.5
Pears (Northwest Hort. Coun.)				
Saudi Arabia	10,000	21,666	1,703.0	78.6
Brazil	5,000	11,333	726.0	64.1
Total - Peas	15,000	33,000	2,429.0	73.6
Total Hort. Products	136,000	600,000	13,420	22.4
Eggs & Products (PEIA)				
Hong Kong	50,000	60,000	4,642	77.0
Breeding Horses (AQHA-APHC)				
Japan	3,000	8,000	315	39.9
Central America	8,000	17,000	166	9.7
South America	10,000	19,083	270	14.1
Total - Breeding Horses	21,000	44,000	751	17.0
Dairy Cattle (HFAA & BSA)				
PRC	18,000	23,667	440	18.6
Middle East	16,000	18,333	2,375	129.6
Total - Dairy Cattle	34,000	42,000	2,815	67.0
Semen (NAAB)				
EC-10	20,000	58,333	727	12.5
Non-EC Europe	6,000	11,333	196	17.3
South America	10,000	21,000	172	8.2
Total - Semen	36,000	91,000	1,096	21.6
Mohair (MCA)				
United Kingdom	4,000	25,266	3,938	156.0
Ireland	2,000	5,500	217	39.0
Total - Mohair	6,000	31,000	4,155	134.9
Total, Dairy, Livestock & Poultry	147,000	269,000	13,459	50.0

*Includes impact of market access activities.

Country/Commodity	FAS Cost	FY 84-88 Avg. FAS & Coop. Cost	FY 84-88 Avg. Sales Increase (000)	Benefit Cost Ratio
Coarse Grains (USFGC)				
PRC	300,000	163,300	25,000	153
Taiwan	30,000	30,000	5,063	169
Korea	90,000	67,000	9,344	140
Egypt	65,000	70,000	26,000	371
Kenya	65,000	70,000	26,000	371
Saudi Arabia	65,000	105,000	42,000	400
Spain	90,000	90,000	10,000	111
Total - Coarse Grains	705,000	595,000	143,405	241
Wheat (U.S. Wheat Assoc.)				
Nigeria	121,000	178,800	2,071	116
Algeria	66,600	94,400	6,906	73
Morocco	22,000	22,000	3,608	154
Iraq	60,300	73,400	8,550	116
Saudi Arabia	11,500	73,400	8,550	115
Egypt	60,000	60,000	8,420	142
Venezuela	30,000	36,700	3,667	100
Mexico	30,000	35,000	2,880	82
Colombia	54,000	68,000	7,516	110
Peru	48,000	67,000	5,206	78
Total - Wheat	503,000	709,000	57,372	140
Rice (Rice Council)				
Africa	110,000	285,000	32,725	115
Peas and Lentils				
Latin America	9,000	98,700	3,094	31
Total Grain and Feed	1,327,000	1,688,000	236,597	140
Soy Complex				
Nigeria	50,000	128,000	6,725	53.0
Algeria	15,000	11,000	729	66.0
Tunisia	6,000	10,000	645	65.0
Portugal	24,000	43,000	2,461	58.0
Southeast Asia	145,000	411,000	11,815	29.0
PRC	95,000	221,000	13,888	63.0
Venezuela	60,000	141,000	8,685	61.0
Eastern Europe	80,000	73,000	3,668	50.0
Korea	189,000	365,000	25,705	70.0
South America	170,000	396,000	17,617	44.0
Northern Europe	260,000	589,000	6,996	12.0
Western Europe	830,000	1,936,000	29,274	15.0
Total Soy Complex	1,924,000	4,342,000	128,208	29.7
Sunflower Oil (National Sunflower Assn.				
Japan	10,000	46,000	9,688	211
Mexico	40,000	86,000	12,825	149
Italy	12,000	30,000	3,372	112
Total Sunflower Oil	62,000	162,000	25,885	159.8
Peanuts (National Peanut Council)				
Western Europe	100,000	264,000	17,894	68.0
Caribbean and Venezuela	7,000	4,000	207	48.0
North Africa and Mid East	9,000	4,300	174	40.0
Total Peanuts	116,000	272,300	18,275	67.1
Cottonseed Oil (National Cottonseed Prods. Assn)				
Japan	25,000	50,000	2,444	49.0
Latin America & Middle East	35,000	45,000	1,222	27.0
Total Cottonseed Oil	60,000	95,000	3,656	38.5
Total Oilseeds & Products	2,162,000	4,853,300	176,034	36.3
Hardwood Lumber (NFPA/NLEA)				
Japan	12,000	20,000	358	17.9
Softwood Lumber (NFPA)				
Europe	60,000	186,667	16,949	90.8
China	40,000	73,333	3,600	49.1
Total - Softwood Lumber	100,000	260,000	20,549	79.0

Country/Commodity	FAS Cost	FY 84-88 Avg. FAS & Coop. Cost	FY 84-88 Avg. Sales Increase (000)	Benefit Cost Ratio
Softwood Plywood (NFPA/APA)				
Japan	10,000	40,000	3,000	75.0
Middle East	30,000	70,000	4,569	65.3
Netherlands	3,000	6,875	341	49.6
West Germany	5,000	55,208	3,335	60.4
Denmark	5,000	6,875	219	31.9
Italy	35,000	80,209	2,187	27.3
Total - Softwood Plywood	88,000	259,200	13,652	52.7
Total Forest Products	200,000	539,200	34,559	54.1
GRAND TOTAL	$4,317,000	$8,330,500	$499,963	60.0

DETAILS OF COST-BENEFIT RATIOS

Mr. SMITH. I will also provide you with details on exactly what the programs are and what we think the cost-benefit ratios are.

I might add we included in these numbers the amount of funding we will be getting, for example, from the American Soybean Association in partnership with us in this program. The rest of it will be distributed among our major cooperators, which are basically the grain commodities and cotton, and then some of the other horticultural products we are working on.

[The information follows:]

Proposed Increases in Cooperator Activities by Commodity
Summary

Commodity	Amount Requested	FY 84-88 Avg. Sales Incr.	Benefit Cost Ratio
Tobacco, Cotton Seeds	345,000	25,894,000	71.3
Forest Products	200,000	34,559,000	64.1
Dairy, Livestock and Poultry	147,000	13,459,000	50.0
Oilseeds & Products	2,162,000	176,034,000	36.3
Horticultural & Tropical Prod.	136,000	13,420,000	22.4
Grain & Feed	1,327,000	236,597,000	140.0
Total	4,317,000	499,963,000	60.1

NOTE: Impact/cost ratios calculated using FAS and U.S. cooperator costs.

Justification of Increases in Cooperator Programs

Commodity	Constraints	Type of Activities	Target Areas
Tobacco, Cotton & Seeds	Lack of knowledge of current processing technology and lack of consumer awareness	Technical seminars, study courses and advertising	Asia and Africa
Forest Products	Lack of product knowledge	Market surveys, trade servicing and trade missions	Asia and Europe
Horticultural & Tropical Products	Lack of consumer awareness	Point-of-sale and media advertising	Latin America, Europe and Asia
Dairy, Livestock & Poultry	Lack of consumer awareness and lack of foreign buyers' knowledge of availability and quality of U.S. live animals	Trade visits, media advertising, livestock shows, technical seminars and teams	Europe, South and Central America, Middle East and Asia
Oilseeds & Products	Lack of management and technological expertise in livestock production, feed processing and oil refining sectors. Lack of consumer awareness of oils and soyfood products.	Feeding trials, team and technical visits, short courses and seminars	Europe, Middle East, Africa, Asia and Latin America
Grain & Feed	Inadequate storage, handling, milling and baking facilities; lack of understanding of U.S. grain marketing system and lack of knowledge of U.S. food and feedgrains.	Feed trials, short courses and technical seminars, model livestock production and training facilities, team exchanges.	Asia, Latin America, Africa and Middle East

PERSONNEL SPLIT BETWEEN WASHINGTON AND OVERSEAS

Senator COCHRAN. In looking at the number of personnel who work for FAS, I notice that most of FAS employees are located here in Washington and about one-third are out in the field. Is this an effective split, in your judgment? Is it more important to have these people scattered around the world in trade offices and working on a day-to-day basis with cooperators?

Mr. SMITH. This is always a difficult question as to how you best utilize your personnel. I might add that part of this planning exercise is not only for our cooperator program, but once we have determined what the key commodities and countries are, we also use this exercise as a means of determining how all of FAS resources will be devoted to these objectives, which include personnel. We feel we have a good balance now between the field and Washington. We have found that you get an imbalance with too many in the field and not enough in Washington; it is very difficult to utilize a lot of information and do the necessary analysis which is required in order to do an effective job of market development overseas. This also applies to our trade access work and our whole information dissemination program that we have.

I might add that as a result of the unique cooperator program we have, we really have a shared partnership between us and the private sector and that the cooperators do have personnel overseas who are actually carrying out a lot of the market development work. So we consider them a very good and effective partner in this effort to expand exports.

Our feeling is, given the resources we have and the opportunities overseas, we do have a very good split, a good balance between the field and Washington. I think it is working effectively right now.

LONG-TERM GRAIN AGREEMENT WITH U.S.S.R.

Senator COCHRAN. On another subject, many, particularly out in the Midwest, feel our market enhancement would benefit from a long-term grain agreement with the Soviet Union. What is the status of our negotiations for such an agreement, Mr. Tracy, if you know, and is there an outlook for increased sales to the Soviet Union?

Mr. TRACY. Well, we do feel that a new long-term agreement would be mutually beneficial, both to the Soviet Union and to the U.S. agricultural interests. The imposition of the sanction against any further negotiation toward that long-term agreement was imposed at the time of the Poland crisis, as you are aware, and as of this point there have not been any developments that have been considered significant in Poland to withdraw that sanction. I am hopeful that such a move might take place and we might be able to proceed. Certainly, you are aware that this is the topic of considerable discussion within the White House and at the Cabinet level. We are hopeful. In the meantime, we did extend the agreement—the existing long-term agreement—last summer, and it does run to the end of this September. We do have consultations that are scheduled as part of this agreement. I will be going to Moscow in 6 days. So the process of communication is going on.

In response to your latter question, will we have access to that market, we do have access to that market. We have picked up our market share somewhat since the dark days of the embargo. Once you lose market share, it is hard to get it back. We held a 70-percent share; it dropped to 30 percent; we are up somewhere in the 40-percent range. We don't know where we are going to end up this year. They make decisions sometimes in a very controlled way, as I am sure you are aware. The longer term prospects depend a great deal on their own agricultural conditions, their weather, and so on. Right now, they have had a rather mild winter, but a dry one. Just what happens in the next few weeks could affect what they buy from us this fiscal year.

TRADE WITH CHINA

Senator COCHRAN. I notice, too, in our dealings with China we saw some adverse reaction to our ability to sell in that market as a result of the negotiations that broke down over the textile quotas. What is the likelihood of that getting ironed out so that China will lift whatever it imposed that keeps us from selling cotton and soybeans?

Mr. TRACY. I am sure you are aware that our cotton exports are dramatically down because of the extremely good production of their own, and similarly with soybeans. They had no immediate need for soybeans. We certainly hope the major crop they buy from us in large quantity is wheat. We certainly hope this doesn't affect that, but I have to admit there is such a risk. Again, they are, as a monolithic government, able to make decisions that may or may not be to their economic benefit.

As far as the textile negotiations, those are handled by Special Trade Representative Bill Brock's office. I know that our Secretary of Agriculture has been in close contact with Bill Brock about this question. We are very concerned about it. We do feel that the best advantage or the most important thing for the American farmer is to get the textile issue resolved, and we certainly want to be careful of anything we do that we don't risk making those negotiations more difficult.

TEXTILE NEGOTIATIONS

Senator COCHRAN. I led a delegation of Senators to China in October. We were very encouraged in conversations with the Vice Premier, Wan Li, when he said that China would be buying a lot of grain, wheat particularly, corn too, from the United States for a long time because of internal changes in policy there to emphasize cash crops in their farming region, to upgrade their livestock and other meat industries. At least his attitude at that time was that we were going to have a long-term trade relationship that would result in our being able to sell large quantities of grain to China. But we also found out that they were diversifying their purchasing in some of the other agricultural commodity areas, cotton particularly. They were buying cotton not just from us, but from the Sudan, Mexico, Pakistan, and other countries around the world, and they were producing a lot more of their own as well. So our share of that market, as you point out, has declined fairly dramatically in the last few years.

Do you play a role at all, or does the Department have access to this process so that someone is speaking up for American farmers in these negotiations?

Mr. TRACY. In the textile negotiations?

Senator COCHRAN. Yes.

Mr. TRACY. Well, as I pointed out, it is largely being handled at this point by our Secretary. The textile issue or the textiles negotiations have a long history; they are very complicated and delicate. We don't have any textile experts in the Department of Agriculture. I should point out we do have a long-term agreement with China that specifies minimum tonnage for them to purchase from the United States. I certainly would expect they would continue to be a very large customer for us. Both Mr. Sims and Mr. Smith have been in China in the very recent past, and perhaps, either one of them could comment.

Senator COCHRAN. We do have that agreement. It expires on September 1 of this year, or is it next year?

Mr. SMITH. There is one more year.

Senator COCHRAN. One more year?

Mr. SMITH. That is correct.

I was just in China about 3 weeks ago, and we were, of course, quite interested in what is happening on the grain front. I think what Mr. Tracy indicated on cotton and soybeans, which were the two specific items they mentioned in direct linkage with the textile issue, that we felt that they had pretty much bought the amount of cotton and soybeans they were going to buy given their domestic production and purchases up to that date. What really concerns us is they are a big wheat market, and our market share has declined. They make no bones about it being linked. Clearly, there are going to be textile negotiations. I think that political decision has been made. There is going to be some kind of a textile arrangement, and China is a major supplier. Some kind of accommodation is going to be found. I think we all feel Ambassador Brock is doing a fine job in negotiating that. I think they have offered the Chinese some additional possibilities. We are hopeful this is good, hardball negotiation going on, and when this gets resolved, we will see our wheat trade come back.

Senator COCHRAN. What is the outlook for activity in China with respect to helping develop that market for U.S. farm commodities? I know there were some things going on when we were over there. There was a flour mill being constructed and a noodle factory and other efforts being made to help generate demand within China for U.S. commodities.

MODEL WHEAT BAKERY IN CHINA

Mr. SMITH. We have a very active program there. We have three cooperators working quite actively. In fact, one of the main reasons for my visit to China was a request on their part to hold an official opening ceremony for the model bakery which had been constructed with the help of market development funding and the U.S. Wheat Association funding and participation. It has been a tremendous success. It is fully operational. I was told by Chinese officials it is so popular that Chinese customers are waiting 3 hours in line to get one loaf of bread. They are also building a school to train Chinese bakers at the site, and they plan to extend its baking technology throughout China.

Senator COCHRAN. Is this located in the Beijing area?

Mr. SMITH. Yes; it is right in the city of Beijing.

We are also working with them on the construction of a model wheat flour facility which we also see helping increase the consumption of wheat in China. There is quite a bit of interest in China now on using feed grains for animal feeding. Our Feed Grain Council people are quite active in China working on this program. We are seeing corn imports going up this year, so we think there is a lot of possibility there.

We also have the American Soybean Association people working very actively, also associated with both the animal feeding side and looking into ways of possibly using soybean products to supplement the human diet in China. This is high on our priority list. We have a very active agricultural counselor there, and we also have a trade office in China. This, also, is high on our priority list, and we look to continue a long, fruitful relationship with the Chinese as our trade expands.

Mr. TRACY. I would like to add that I was on a plane with the Secretary and a constituent of yours, Frank Mitchner, who is president of the National Cotton Council, when we got word that the Chinese would look favorably toward a request from us to open cooperator offices. We did do that, and the result is that cooperator offices have now been opened for the U.S. Wheat Association, American Soybean Association, and U.S. Feed Grains Council.

Senator COCHRAN. They were in business when we were in China, and we had an opportunity to have a meeting with all of them one night in Beijing to be brought up to date on what was going on.

How much money in the budget is being allocated for market development activity in China for next year? Do you have it broken down like that?

Mr. SMITH. Mr. Chairman, we do have it somewhere in here, if I could submit it for the record.

Senator COCHRAN. We would like to see that. That would be interesting to have.

[CLERK'S NOTE.—The requested information appears on page 594.]

AGRICULTURAL TRADE OFFICES

Senator COCHRAN. Do you anticipate opening up any new trade offices next year?

Mr. SMITH. We are currently in the process of opening a trade office in Saudi Arabia. As a matter of fact, the Secretary will be visiting Saudi Arabia in March for the official opening of that trade office. That makes the 11th office that we have overseas. We are still continuing to look, and where we would think we can effectively carry out programs in the trade office, we are still amenable to opening one. We sort of sat back and took a look at them about 1½ years ago to make sure the trade offices were operating effectively. We had teams made up of FAS people, some of our private sector cooperators, and some other USDA officials evaluate them. We feel they are operating very, very well. The only one we closed was the one in Miami, mainly because we thought we could do the work more effectively in other locations. Right now, we think we are working very effectively. We will continue to look for opportunities to open new trade offices. We don't have any specific plan for another one right now, though.

Senator COCHRAN. There was an indication during the testimony last year that you were evaluating six of the trade offices in depth with this screening process, trying to assess their effectiveness and determine whether or not we were getting our money's worth. Will this evaluation process be a continuing effort, so we can monitor all of these offices on the job they are doing and ascertain whether or not the trade offices are competent?

Mr. SMITH. Yes, Mr. Chairman. In fact, if we haven't, we will certainly provide you with a copy of the reports that were prepared by the teams that went out and evaluated the effectiveness of these offices. We will continually evaluate our trade offices. I might add we are continually evaluating the effectiveness of our agricultural counselors and attachés. As a matter of fact, we have made significant shifts of resources. We are not in a static situation. Opportunities change, and I think we have to make sure that our resources are being directed to those opportunities. So we do have an ongoing, continuing evaluation of trade offices and of all of our activities.

[The reports follow:]

EVALUATION OF THE U.S. AGRICULTURAL TRADE OFFICES IN BAHRAIN, SINGAPORE, AND SEOUL

FOREWORD

This report was prepared as part of an evaluation process of the 11 Agricultural Trade Offices that have been established since the Agricultural Trade Act was passed in 1978. It is the outgrowth of a decision made within the Foreign Agricultural Service, U.S. Department of Agriculture, to conduct an objective evaluation of these offices by sending three-man teams to the trade offices for onsite inspection during August and September 1978.

The teams sent consisted of one individual from the Foreign Agricultural Service, one individual from private industry and one individual from the Economic Research Service of the Department of Agriculture. The objective was to provide a balanced government/industry viewpoint of the effectiveness and value of the Agricultural Trade Offices. The Government representatives were chosen by the Administrator of the Foreign Agricultural Service and the Administrator of the Economic Research Service, while the industry representatives were chosen by cooperators through their council. The specific instructions given the team were to conduct an overall evaluation of the ATO's and determine whether or not the offices are carrying out the functions mandated by the Agricultural Trade Act of 1978. A list of 10 specific functions designed to expand the market for U.S. agricultural products was considered in the process of this evaluation. These 10 functions are given in the Agricultural Trade Act of 1978.

This report was prepared by: Leo V. Mayer, Associate Administrator, Foreign Agricultural Service; Carmen Nohre, International Economics Division, Economic Research Service, U.S. Department of Agriculture; William Kerkvliet, Land O'Lakes, Minneapolis, Minn.; and Terry Vorachek, Regional Director, Middle East/Africa, U.S. Feed Grains Council, Rome, October 1981.

SUMMARY

The team which visited the three trade offices in Bahrain, Singapore and Seoul interpreted its mission in four different parts. First, the team attempted to determine the perception of the trade officers as to the original purpose for which the trade offices were established. The responses ranged from setting up an office in order to "show the flag," to establishing an office for the purpose of giving the cooperator groups a more effective place in which to work. The second question posed by the team was, have the trade offices been effective? In terms of almost every aspect explored by the team the conclusion was that the trade offices had been effective in making the American presence more visible and in making agricultural exports a higher priority in the overall set of activities of the Foreign Agricultural Service in the American embassies around the world. The third aspect considered by the team was what determines the effectiveness of a trade office. The highest ranking factor in a considerable list of factors was the personnel which were placed in the trade office. The team reached the conclusion by the time it was finished with the third trade office evaluation that the one most important factor was personnel in the trade office. The fourth issue which the team attempted to focus on was can the trade offices be made more effective? This issue took up considerable time in the private discussions of the team. There was lengthy analysis and assessment of the role of the cooperators, how they interact with the trade officer, and how they interact with the private traders in the country. These four components underlay the efforts of this assessment team.

There was an almost unanimous agreement in terms of the team's views on these issues. The team members may have spelled it out with some differences in emphasis but the conclusion on personnel, for example, ranged from "this is the most important component" to "the ATO depends on the personable ability of the officer to work with people."

There were many detailed conclusions reached by the team. One, for example, had to do with the title given to the agricultural trade officer. While seemingly not of great importance, it came across at at least one trade office that the agricultural trade officer would have greater effectiveness if in fact he had the title of director. It was interesting because at another trade office the trade officer had simply taken liberty of having his calling cards printed up with the title of director on them. It is probable that FAS/Washington should establish a ruling on what exactly the title will be for the agricultural trade officer.

On another issue there was general agreement among the team that the trade office personnel should remain few in number and be required to utilize the cooperators as operatives in the country. This led to the implication, however, that if there is to be a shift towards more finished product exports, the cooperator representation will have to be broadened accordingly. This led to the further consideration of what the product mix should be for the agricultural trade office focus. There was considerable agreement among the team members that a shift toward finished products would be both useful and justified within the trade offices.

Another detailed matter considered by the team was the question of having nationals head up the cooperator groups versus having Americans at the head. There were arguments on both sides of this issue. The cooperator groups who were headed by nationals thought American representatives would be useful in dealing with the host governments. However, the evaluation team members reached the conclusion that nationals were extremely effective in these roles. The end result was that there was no clear-cut conclusion that any recommendation should be made with regard to who the cooperator groups hire for their directors.

One conclusion the team reached was that focusing FAS attention on trade offices is inadequate in terms of conducting the most effective promotion of processed and value-added agricultural products overseas. There was considerable team discussion of how to raise the awareness of American agribusiness about the new opportunities that exist overseas, and that these opportunities will require considerable organization and redirection of resources if sales are to expand. It was suggested that the organizations like the State Departments of Agriculture and other cooperator groups must reach out more to American agri-industry and work with them and get them more interested in selling overseas if we are to increase sales, particularly of processed and finished food products. In all three countries visited by this team there was a sense that considerable opportunity exists for selling finished food products. To do so, however, will require more personnel, either within the trade office or by the private companies that produce and market these products.

The issue of personnel was also raised in a number of instances. There was general agreement that simply taking the same number of personnel and locating them in more separate offices was not an effective way to go. In instance after instance the view came through that there has been enough separate offices established without any increase in personnel. The Korean situation was especially illustrative of this. There, personnel had been taken out of the agricultural sector of the embassy and placed in the agricultral trade office. While some improvement in effectiveness may have been gained there were also some considerable costs.

Finally, the team was left with several specific questions for consideration by FAS/Washington.

1. What is the ideal background training and makeup of the personnel

who will become agricultural trade officers? Are the characteristics the same for the agricultural attache, counselor, and trade officer, or do they differ?

2. What is the appropriate job description for each particular officer in each particular region? What balance should there be between emphasis on exports of raw products versus processed products?

3. What is the ideal relationship between the agricultural trade officer and the attache/counselor? Are both needed in a country or should there be only one or the other?

4. Should FAS consider titling the agricultural trade officer by region in order to make him most effective?

5. How can FAS insure that the finished products which we sell are given the same followup emphasis in terms of trade servicing and problem solution that is given to problems with the sale of bulk commodities?

6. How can FAS provide the appropriate guidance in terms of trade patterns, trade policies, credit support, and other factors which actually determine the effectiveness of the trade offices?

INTRODUCTION

On October 21, 1978, President Jimmy Carter signed into law Public Law 95-501, the Agricultural Trade Act of 1978. It had earlier been passed by the Senate on September 8, 1978 and by the House on October 15, 1978. The law instructed the Secretary of Agriculture to establish not less than six and no more than twenty-five United States Agricultural Trade Offices. By August of 1981, eleven ATO's had been established by the Foreign Agricultural Service (FAS) of the United States Department of Agriculture.

The three offices evaluated in this report included Manama, Bahrain, where the trade office was opened on November 13, 1979; Singapore where the trade office was opened on January 12, 1980; and Seoul, Korea, where the trade office was opened on January 21, 1980. By the time of this report each of these offices had been opened approximately 18 months. In those 18 months, these three offices, as well as the other eight which were also established, have established operations designed to lead toward expansion of agricultural exports. Before adding any additional offices, FAS felt there should be an evaluation made to determine their "effectiveness and contribution to the overall market development mission to expand agricultural exports."

Each of the three trade offices reviewed in this report had some common facets as well as some unique characteristics. The Bahrain office, opened in November 1979, had as its purpose "to serve as a focal point for export sales promotion and as a home base for U.S. exporters and representatives of states wishing to develop or expand their export efforts in the area." The geographical area included under the Bahrain trade office were the countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates, Syria, Jordan and Iraq. At the time the office opened, the United States was exporting approximately $600 million worth of U.S. agricultural products annually to these countries.

The Singapore office opened on January 12, 1980 had as its purpose "to serve as a focal point for export trade promotion in Singapore, Indonesia, Malaysia, and Thailand." At that time these combined countries also imported approximately $600 million of U.S. agricultural products annually. The press release announcing this office noted that it was designed to "help non-profit trade associations currently working in Southeast Asia under continuing agreements with the U.S. Department of Agriculture's Foreign Agricultural Service as Market Development Cooperators." It listed as

Cooperators in the new Singapore trade office the American Soybean Association, the Poultry and Egg Institute of America, U.S. Wheat Associates, Inc., and the U.S. Feed Grains Council. The initial and present Director of the Singapore trade office is James Y. Iso.

The Korea office opened in Seoul, Korea on January 21, 19[illegible] also had as its focal point export sales promotion. In announcing the office, FAS noted that U.S. farm exports to Korea totaled nearly $1.4 billion of agricultural products in Fiscal Year 1979. In establishing the office, FAS appointed Evans Browne III as Agricultural Trade Officer.

By the time the evaluation of these three offices was made in August 1981 total export sales in Fiscal Year 1981 had increased to 2.1 billion dollars, up from 2.6 billion dollars exported to these countries in FY 1979. During the course of the visit, these trade figures were reviewed closely along with several other aspects and characteristics of each of the individual trade offices.

The following report is divided into three country reports. The first section is on Bahrain, the second section is on Singapore, and the third section is on Seoul.

Bahrain Agricultural Trade Office

Establishment of the ATO in Bahrain occurred in January 1980. It represented a change from occasional swings through this area by a representative of the United States Department of Agriculture to a permanent presence in the area. The overall objective of establishing the ATO in the words of trade officer Joe Butler was "to show the flag" of the United States. He noted in early discussions that American products are preferred in the Middle East but too expensive for the general public.

In extensive opening discussions, the trade officer made several points. As he views it, his job is to "bring the buyers and sellers together and then get out of the way." He noted that most of his time was spent in dealing with the private trade, with an estimate that 40% of his time went to the sellers and 60% was spent with buyers. Followup comments later suggested that about half of his time was spent traveling to countries in the region and about half was spent in the office which is located in the United States Embassy in Manama, Bahrain.

Of some interest to the team was a further comment that he did not believe that having the office in the embassy was a disadvantage since security is not as tight in this particular embassy as in many others. This was confirmed in other ways. The hotel in which the team stayed did not have security guards surrounding it as was true of the hotel in Cairo at which the team had stayed on its way to Bahrain.

Other points made by the agricultural trade officer were also interesting. He suggested that a trade office was preferable to the placement of an agricultural attache in this area because an attache "would have had reporting responsibilities which would have taken up his time." This led to some extensive discussions within the team which for this visit was made up of Mayer of FAS, Nohre of ERS, and Dr. Terry Vorachek, Regional Director of the Mid-East/Africa Office of the U.S. Feed Grains Council, who was located in Rome.

Dr. Vorachek, in later comments, suggested that as a Cooperator he believed that it would be more acceptable to cooperators to utilize a trade officer for solving trade-related problems as opposed to utilizing an agricultural attache. He supported this view by arguing that cooperators had the perception that agricultural attaches had many duties in addition to specific trade responsibility. He suggested that because of this perception most cooperators would be reluctant to draw heavily on an attache for their particular trade problems but that drawing on the agricultural trade officer would be far easier since his duties were very specifically identified with exports of agricultural commodities. Dr. Vorachek also supported another aspect of Mr. Butler's comments which was that he felt an expanded American presence in the Middle East in the area of agricultural trade was very useful.

He argued this case in a number of ways, that it was very important to have Americans on the scene if the United States is to expand agricultural trade in a steady and reliable manner. Dr. Vorachek supported this assertion with his six years of experience in the Middle East for three different companies prior to his work with the U.S. Feed Grains Council.

There was one unique aspect to the Bahrain trade office. It covers six other countries and none of these countries have an agricultural attache or counselor. In each instance, therefore, the agricultural trade officer is dealing with commercial officers in the American Embassy. This has necessitated a fairly time consuming process of building agricultural contacts in each of these countries. Not all countries are equal, of course. A point which ATO Butler repeated a number of times and in which he noted the overriding importance of Saudi Arabia as a market for U.S. agricultural products.

In this respect there was considerable discussion of the characteristics of the market in the Middle East, including the extremely high level of per capita gross national product and whether that represented a particular opportunity for sales of more processed products, including meat and poultry items in particular. This line of discussion led to at least two points. One was that the Chamber of Commerce in Bahrain represents an important contact for the agricultural trade officer and the second was that companies belonging to the Chamber of Commerce often complain because American companies do not have telexes which is the major means of communication in this area of the world.

In the initial discussions, the agricultural trade officer made one other major point: He noted that he felt no loss of contact with host government personnel because he is in an agricultural trade office. Butler suggested that there might be such a loss of government contact in cases where there is also an attache at the post. Dr. Vorachek who joined the Feed Grains Council only several months earlier said he found it difficult to see the difference in purposes between an attache and an ATO. After several more hours of discussion, however, Dr. Vorachek later amended his comment and noted that perhaps he saw the trade officer as having more limited duties and perhaps more directly related to the purpose of expanding agricultural exports.

The process of expanding exports is facilitated in several ways in this trade office. Cooperators come through, according to the trade officer, and want the support of the ATO, including meeting them at the airport, getting them hotels, and taking them around to meet the private trade people. If they are old hands they may operate on their own. Otherwise one of the services provided is identifying potential buyers for cooperator groups. In this respect the trade officer was asked whether the absence of cooperator groups in the trade office and in this particular country was a hindrance but he did not believe it to be so.

Tools of the trade here, according to the trade officer, are the TORS, the filing of tenders which he passes along to Washington, holding food shows, having food sales teams come through, including a livestock survey team, menu promotions, receptions, as well as solution of particular trade problems. He mentioned two particular trade problems as did the Ambassador in the team's visit with him. One was a problem of wheat which the Saudis did not believe to be of proper quality and which entailed bringing a USDA grain inspector to Riyadh for a special project of teaching Saudi inspectors proper grain grading methods. The second was apples, again going into Saudi Arabia, which were being rejected because of a perservative sprayed on the apples which the International Herald Tribune claims was a possible carcinogen. Both problems drew the agricultural trade officer into a solution.

The uniqueness of this particular trade office came through time after time. It is an office that services a cash market with no PL 480 or CCC credit. It thus is without two of the major tools used in agricultural export promotion. Instead the modus operandi appears to focus primarily on contacting commercial attaches in the served countries, establishing personal contact with the buyers for those particular countries, and assisting U.S. sales representatives. It is mainly a respondent role -- responding to private buyers or private sellers. When asked about whether getting beef into hotels could be accomplished, the trade officer agreed that it might be possible but it would require further effort on his part. He listed that as one of the things which could be accomplished in the future.

Like an attache office, the trade office must have adequate information if it is to operate with efficiency. In this instance information is not readily available from Government sources. The trade officer noted that he gets most of his information from the trade. It is also true that other embassy officers get information from the trade office. On the morning of the team's visit the Australian Embassy in Kuwait called and discussed the matter of wheat shipments into Kuwait at some length with the American trade officer. It was an interesting phone call since it was Australian wheat going into Kuwait it would seem that they should have known the total quantities being imported by that country.

What came across in visiting this ATO is that it is different in several ways from other embassies or trade offices that the team visited. It is primarily a market for finished food products. There is a market for the basic commodities but it is relatively small. Included in all the countries covered are only about 10 million people. Quantities purchased by any one country are small. For example, the trade officer noted that one shipload of wheat from Australia would be unloaded at three different countries and satisfies the needs of each of the countries for at least six months. Thus, the area does not attract the interests of major grain companies. On the other hand, small grain companies would appear to find difficult problems of selling in this area of the world which reduces their interests in participating in this market.

The visit to the office did raise questions about how to locate an ATO office. Presently, the office is located on the second floor of the embassy compound and is reasonably difficult to enter and to leave. The Ambassador in our discussions with him noted that he had expected it to be located in the business district more acceptable to the buyers. We discussed at some length with the Ambassador why it was located where it is. He noted the security problems in this region and raised them as the major reason it is located in the embassy compound. 1/ It would be true, however, that if one aspect of an ATO is to have a major flow of local buyers coming through, this office is not serving that aspect very well.

If, on the other hand, the office is judged not on local buyer traffic but rather in terms of the agricultural trade officer's contacts with local businesses, associations, and private buyers, then the office is suitable. On several occasions the point was made by embassy personnel that the agricultural trade officer has made extensive contacts within the community of Bahrain and has a wide range of acquaintences on whom he calls. The commercial officer made this point by noting that Joe Butler seems to know everyone. The Ambassador also inferred as much in his discussions with the team. Undoubtedly, these contacts have been made during visits of trade teams or other promotional events.

One affect of the contacts, as well as the promotional teams, was illustrated on the final day of the team's visit during which the trade officer

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1/ When the ATO was established it was the consensus that it should located within the embassy complex.

took the team to local supermarkets. In the supermarkets was a wide range of American products, some with labels unchanged from the U.S. grocery shelf and others in which the name of the product had also been applied in Arabic. The team made several estimates of what proportion of goods had some tie to American firms and the estimates ranged from 20 to 40 percent. In other discussions we were told that before the trade officer arrived there were almost no American products in these stores.

In concluding its assessment of the Bahrain agricultural trade office, the team reached certain general conclusions:

1. This agricultural trade office deals more in finished food products than would the average agricultural attache or agricultural trade office.

2. The trade officer has established a wide range of contacts along this line of sales with hotels and supermarket chains which he maintains through various devices.

3. The team was unable to determine, because it did not travel to the other countries covered by the trade office, whether the degree of contact in Oman, Saudi Arabia, and the other countries, approached that which he had achieved in Bahrain. Overall the level of contact established in Bahrain was impressive in the short two years in which the trade office and the trade officer had been located here.

In the final analysis, of course, as the Ambassador pointed out, the results will show up in one of three places. First, it may show up in the trade figures on export shipments to this area. In this respect it may show up as much in the processed foods trade figures as in the raw farm commodities. Two, its effect will show up in the responses, through inquiries and reactions of American commodity groups. In this respect, the comments of Feed Grains Council personnel, Wheat Associates, and similar groups will be important evaluators of how the trade office is operating. Three, it will show up in the reactions and responses of the local buyers in the countries covered by the trade office. This was the weak part of this team's evaluation approach. Had there been time to have accompanied the trade officer to other countries and to determine his degree of involvement there, it would have been a more complete assessment of the Bahrain agricultural trade office.

Singapore Agricultural Trade Office

The fourth U.S. Agricultural Trade Office, opened in Singapore on January 12, 1980, faced a very different environment than the agricultural trade office in Bahrain. Located deep in the Far East, the area covered -- Singapore, Malaysia, Indonesia and Thailand -- was already a thriving center of trade and business. Agricultural exports from the United States to the region were estimated at approximately $600 million in the year prior to the opening of the trade office. A little over a year later when this review was made, agricultural exports had already grown to $765 million despite a fairly significant reduction in the level of exports to Thailand in the ensuing year.

The four countries covered by the trade office differ in one respect from the area covered by the Bahrain trade office; Each of the other three countries -- Malaysia, Indonesia and Thailand -- have an agricultural counselor or attache which represents U.S. agricultural interests. The agricultural trade officer in Singapore made clear that his approach to these countries was to allow the agricultural attaches to request his assistance if it proved necessary.

In other respects, however, there were similarities between the two trade offices. One was that one major country comprises a large portion of the overall trade possibility in each region. In Bahrain, it was Saudi Arabia. For the Singapore ATO, the country with greatest potential is Indonesia. Of the roughly 220 million people in the four countries covered by this trade office, about three-fourths are located in Indonesia. These millions, however, have the lowest per capita income on average, roughly $350 each compared to the far higher levels in Thailand, $590 per capita income is estimated at $3,810 each. Singapore is the major transshipment point for the trade area.

A review of commodities shipped to this area indicated that there is wide dispersion. For Singapore itself, poultry was the major commodity shipped into the region adding up to about $20 million per year. For Indonesia, however, with its lower per capita income, wheat was the major commodity imported. In Malaysia, tobacco ranked first and for Thailand, cotton was the most significant. The number one position held by poultry going into Singapore was indicative of the type of commodities that the agricultural trade officer stressed during the visit of the team. With only 2.4 million people, with very high per capita income, and a metropolitan environment, the market for agricultural products in Singapore is one of a highly urban society. It was clear from the opening discussions with agricultural trade officer Iso that his major work focused on retail-type food exports. He stressed the importance of items like high quality beef to meet the rapidly expanding hotel trade in the Singapore area. He noted that the biggest restraint to the U.S. being competitive in this area is the high cost of freight rates. He explained that one of his major efforts was in trying to determine ways to reduce shipping costs.

Mr. Iso who had spent 11 years with the Renderers Association based in Tokyo prior to joining FAS in 1975, stressed that his major goal when he came to Singapore was to get "the U.S. foot in the door." He noted that the British and the Australians had the market tied up prior to entry by the United States with its agricultural trade office. The number one goal, therefore, was to begin a process of education and increased awareness of American products. His first steps, he explained, were to identify those commodities of interest to this market. The next step was to carry out the whole process of market development which he explained as the "nitty gritty" of commercial trade: Bringing buyers and sellers together; taking the exporter by the hand and leading him through the sale; providing him with all the services necessary for the sale even to and including a desk, a phone, a telex, and a conference room. He explained in some detail that whereas an attache may spend the majority of his time in information reporting, the agricultural trade officer as he envisioned it spends at least 85 to 90 percent of his time in the development of trade. He went on to note that his reporting responsibilities are substantially less than for an attache, with only three required reports each year on substantive issues and one monthly trade contact and activity report.

When the trade officer was pressed on why he thought the ATO was a more effective method of assisting agricultural exports, his number one explanation was accessibility for the local traders which was in his mind, far better because the office is located outside the embassy where the security factor always makes it difficult for the local traders to gain access to the agricultural attache.

The issue of collocation of cooperators was seen as both a benefit and a heavy burden from the standpoint of this agricultural trade officer. He noted the benefits of having all the different cooperators located in one building which meant that visiting one of them gave awareness of the others. But he also pointed out that having them all there with himself as the overall coordinator created a heavy administrative burden. The practical problem of fixing the xerox machine, maintaining office supplies, and keeping all other details under control, was a heavy time requirement. But he stressed that visibility of cooperators is probably greater because of collocation.

When quizzed on whether the perception of local government officials would differ because he was an agricultural trade officer as opposed to an agricultural counselor, he suggested that there was not much difference. He noted that if there were policy issues which arose with local government officials, he followed the practice of taking the economic/political officer from the embassy with him to any meetings on particular trade policy issues.

The evaluation team in trying to gain a better understanding of how a trade office differs from the traditional agricultural attache/counselor setup, pressed the agricultural trade officer for his own perceptions of these differences. The responses indicated that this ATO was reluctant to compare himself or the structure of the trade office with the traditional attache structure. He noted at some length that each has its own strong points and that he did not believe they were necessarily competitive with each other. He suggested that a trade officer, because he handles the "nitty gritty" trade issues daily, could have a more intimate and detailed knowledge on particular trade practices and trade problems. He suggested that this more intensive knowledge could be more effective in solving particular trade problems when they arose in the local area.

He used as the example the import of poultry into Singapore where local officials are extremely demanding on having every "i" dotted and every "t" crossed in exactly the same way on all papers accompanying a particular shipment.

In further discussions with the agricultural trade officer, he pointed out that there are other reasons why the ATO concept may be more useful in Asia. He noted that in this area of the world a Government official is looked upon as having very high status. He suggested that as a result the typical response of the trade public might be to see the ATO officer as "more accessible." This was a point made as well in Bahrain by the cooperator representative on the team. He had suggested that he would utilize the trade officer more readily because his perception was that trade servicing was his major function and that he would, therefore, be more responsive to requests for assistance. A similar response was implied by the industry representative on the team in Singapore with a discussion he led about problems of getting corn into Taiwan when a grading problem had occurred. The industry representative in Singapore was Bill Kirkvliet with Land O'Lakes Company, a past chairman of the U.S. Feed Grains Council.

In further elaborating on the benefits of an agricultural trade office, Mr. Iso pointed out that an agricultural trade officer was likely to have a better working relationship with the commercial trade simply because he can spend more time developing that relationship. He went into [illegible] detail in explaining the types of particular trade problems that he had run into in Singapore and the ways he had gone about solving them. He was careful, however, to point out that agricultural attaches also carry out this type of problem solving function and only suggested that his effectiveness might be greater because he had far less reporting duties and thus he could spend the larger share of his time on this type of problem.

The final point made in the opening discussions was that developing these types of working relationships in the Asian setting took a significant number of years. He noted his own 11 years in the area with the Renderers Association and suggested that as a result of that he had been able to more quickly establish working relationships when he arrived in Singapore. He observed that others who would follow him would perhaps not be so fortunate and that it would take at least a minimum of two years to develop the effective relationships with local trade representatives. He also noted the importance of understanding, the cultural aspects of conducting business in the area, and observed that much of the business carried on in this part of the world and the business deals made were made not "across the desk" but rather in a more social environment on the golf course or in other social settings. He stressed that it was extremely important to develop a good rapport with the trade and to be able to provide those little moments of assistance, such as getting a visa for someone on short notice, or in some other way assisting him. This type of assistance, he suggested, would be invaluable when the trade officer wanted a favor of some type.

The complexity of the trade situation in Singapore led to followup discussions that covered a very wide range of topics. In early morning discussions with the trade officer, the discussions centered on trade opportunities that abound in Singapore. Several unique opportunities were outlined. One had to do with the food needs of Singapore, shipping traffic where some 300 ships await unloading in the harbor each day and then reload, restop, and go on to other destinations. This alone provides the opportunity for a significant sale of food products.

A second specialized and unique opportunity was the oil-rig personnel who also number some 10,000 in the area. The food stocks required for the oil-rigs are highly specialized, high quality, and of an expensive variety. Providing these stocks, along with feeding the families of the oil workers who remain behind in Singapore also provides an opportunity for significant sale of retail food products in this market. Finally, a third opportunity was the wide range of airlines that fly in and through Singapore. It was estimated that up to 60,000 meals are prepared each day just to satisfy the air traffic. This was expected to rise by one estimate to 80,000 within a year. It would appear that these three major segments of the market would provide an opportunity for a significant importation of retail food products from the United States.

Following the discussions on trade opportunities, the talks turned to the question of market development and the appropriate means to carry out this activity.

Earlier in the morning, we met with the veterinarian who heads up the meat import inspection service for the Singapore Government. This young man had been trained as a veterinarian in England but was obviously interested in coming to the United States to improve his understanding of how our U.S. meat inspection service worked. There were discussions between the trade officer, the meat inspection supervisor and the evaluation team on how such a trip to the U.S. might be arranged. No conclusions were reached but the trade officer agreed to continue discussions at a later date.

In the meeting with the Ambassador and the DCM later in the morning there was a lengthy discussion of the merits of having an agricultural trade office in Singapore. The DCM made the point that there was a very close working relationship between the agricultural trade officer and the embassy. The Ambassador made the point that the only justification for the agricultural trade office being outside the embassy was a lack of space in the embassy. 2/ Both agreed that regardless of what the trade officer was called, whether it be an agricultural attache of a traditional nature or the agricultural trade officer as presently structured, any agricultural office in Singapore would be a trade office.

The embassy personnel went to some length to note that the agricultural trade office was an integrated "operation" with the embassy. It was obvious from the discussions with the Ambassador and the DCM that they look upon the agricultural trade office as a very successful operation and had high respect for the trade officer.

In the afternoon the team held meetings with the hotel trade and received an explanation of activities under way to increase the amount of beef imported from the United States.

Later, discussions returned to the activities carried on within the trade office and the associated cooperator groups. There was a lengthy discussion of the problems of personnel salaries among the cooperator groups, especially vis-a-vis embassy personnel salaries. The trade officer made the point that keeping the cooperator family happy is a very important goal within the trade office.

2/ The Ambassador to Singapore at the time of the establishment of the ATO emphasized the advantages of having it located in a commercial area outside the embassy.

In lengthy discussions aimed at ferreting out the costs and benefits of a trade office, there was substantial discussion on the issue of trade expansion and how it is achieved. The trade officer went to some length to point out that trade expansion is not an overnight effort. It is a methodological process, he suggested, in which planning is essential and evaluation of markets is an integral part. The point was made repeatedly that one cannot begin such a process without the expectations that it will continue for a significant period of time, otherwise the investment in manpower and other resources will wither away without achieving the desired goal of expanded trade.

A major difference between the ATO in Singapore and in Bahrain was the existence of four cooperator groups collocated to the Singapore office. The team reviewed operations of each of the five cooperator groups in Singapore beginning with wheat, moving to soybeans and followed by feed grains, poultry and eggs, and meat.

One point that was made repeatedly by the cooperators was their satisfaction of being located within the trade office. One of the cooperators noted that before collocation took place there had been an expression of concern that moving into the suite of offices with the ATO would be seen by the trade as becoming a part of the U.S. Government. He went on to note, however, that it has not worked out that way and the benefits of increased communication and easy access to the trade officer has been substantial. This was a point which was confirmed in discussions with the other three cooperator groups. One noted that the increased communication was especially helpful between cooperators. In practice the team was somewhat surprised to find that the Feed Grains Council and the Soybean Association had 10 out of 11 projects which were being conducted jointly. It illustrated the kind of close working relationship which has developed because of collocation.

There were other benefits that were noted by other cooperators from collocation. One spelled out the efficiencies to be gained from having a common telex, xerox, and other matters having to do with supplies. He went on to note that the trade office provides ease of access for outside groups, lacked security apparatus as an impediment to access, and stressed that the interest of the trade officer was very important in his effective operation.

Interestingly though, there was a view repeated throughout the discussions with the team which indicated that the perception from almost everyone, ranging from the Ambassador through the cooperator groups, and on into the private trade, that there is almost no difference between a trade officer and an agricultural attache. They are perceived as being the same in almost all respects. The team pressed repeatedly in discussions to determine if there were any significant differences perceived by persons having close working relationships with the ATO. In instance after instance, after a thoughtful pause, a respondent would suggest that "he say no real difference between an ATO and an agricultural attache.

When pressed on the issue of whether the trade officer was too closely associated with the embassy, there was really no clear-cut opinion given. One cooperator did note that there was certain benefits to be gained from an association with the embassv and that since the cooperators were not allowed access to the embassv in Singapore and its perquisites, it was helpful for the agricultural trade officer to have that close relationship. He seemed to support rather strongly the idea of having the trade officer be part of the embassy as well as primarily a commercial trade representative.

Two unusual cooperators located in Singapore were the Poultry and Egg Institute of America and the Meat Export Federation. The representative of PEIA had been with the organization for six years, a woman without a college education but with impressive credentials and even more impressive operational qualifications. The team clearly was taken in with this young lady, married and the mother of two children, who explained "her job was to be a bridge between exporter and importer, to talk to importers as well as consumers, and also to have contact with the Singapore Government." It was as succinct an explanation of the role of cooperators as the team had heard.

She went on to explain in some detail the importance of a good rapport with the Singapore Government because, as she put it, "the rules and the regs change constantly and it is important that we collect that information and pass it along to the exporters." She noted that U.S. poultry has 80 percent of the Singapore market and that quality and reliability are key factors in that trade relationship. A point the team had heard before was also made: the telex in this part of the world is an important instrument in facilitating trade. Local traders consider it to be a finding contract once communication has been established between seller and buyer. This pointed up again the problems that arise because many American companies do not have telexes and do not depend on it like companies do in this part of the world.

The Meat Export Federation was also represented by a Singapore national. She had worked with MEF only some six months and was working only one day per week. In discussions with her, however, it became clear that she had excellent working relationships with the Singapore beef trade. She noted that Singapore is trying to be self-sufficient in pork and that New Zealand has the lamb market tied up so that only beef represented a real opportunity in Singapore. Like PEIA, MEF is represented only in Singapore and does not have regional responsibilities in this trade office. She discussed the competition from Australian beef at some length, outlined the problems they were having with their advertising program, and went on to outline in some detail a wide range of activities which she thought could be undertaken to promote beef more effectively in Singapore.

However, she noted that with only one day per week she was really not able to get a major promotional program going forward, especially without any promotional funds. The traditional commodity groups were well represented in this particular trade office. ASA is about to undertake a major expansion in personnel. Wheat Associates has two Americans -- Director and Assistant Director -- who represent its interest in this area. Feed Grains has a staff of people who are working and promoting exports of feed grains. It was clear also that poultry and eggs are receiving effective representation in this market.

The promotion of beef, however, was much weaker: one person one day per week. As a result, a major portion of responsibility for beef promotion falls on the agricultural trade officer. The image that came across was that beef was receiving far less attention than the burgeoning high income market would suggest would be appropriate. A cursory assessment would suggest that the marginal benefits of investing funds in promotion of beef would be rather high.

This view was reinforced with later meetings held with the private trade in Singapore. Retailers of food noted that promotions are essential to introduce consumers to new products. For many consumers beef would be a new product in this area. At the present time it would appear that much of the beef coming into this area is being sold to either the tourist trade or to Americans and Europeans who belong to and participate in the private clubs in Singapore. If this market is to move beyond this level of sale it will require broader promotion by the beef industry.

The meetings with private trade also gave the team an opportunity to listen to other views of the agricultural trade office. Based on the meetings with a relatively small number of traders it was apparent that the agricultural trade officer had built some rather deep and strong ties with the private trade. When asked whether the trade office was an improvement as a source of information on trade with the United States over the embassy, one private trader asked parenthetically -- "Why should I go to the embassy, there is always somebody with a gun over there."

He made the point that the private trade does view the embassy security system with some disdain. He followed up this comment with the further view that I "come to the trade office because my friends are here." He also noted that the trade office was in his view very handy. Another trader who was also present at this point noted that his relationships were so friendly with the trade office that "many problems I can discuss and solve over the phone."

Both traders had previously noted, however, that reliability as a supplier is important and that timeliness of shipments is equally important for buyers in Singapore. Both had discussed at length the sensitive nature of the market in Singapore for U.S. agricultural products and the important role that re-exports play. They noted that much of this re-export market is extremely time controlled and that if they were to build that market it would require that deliveries from the United States be guaranteed to be on time. They also noted difficulties they had previously had with asking American exporters to satisfy a need only to waste considerable time with no reply from the U.S. supplier. These were the kinds of problems in which they noted the usefulness of the agricultural trade office for funding a solution.

It was obvious from discussions with a wide range of people in Singapore that the agricultural trade office is filling an important role. Part of this importance grows out of the fact that there was no agricultural representative posted in Singapore prior to the beginning of 1980. Undoubtedly had USDA decided to place an agricultural attache at this post instead of an ATO, he probably would have been looked upon very positively by the trade and by the embassy by this point in time. It was clear though that in terms of the relationships with the private trade, with the embassy, and with the cooperators, the agricultural trade officer has succeeded in building an excellent rapport. The meetings with private retail food traders, with the wholesalers, and with the grain traders led to a reinforcement of the view that the agricultural trade officer is held with a great deal of respect by all of these members of the agricultural and food systems in Singapore.

Korean Agricultural Trade Office

The agricultural trade office in Korea was established on January 21, 1980. It was viewed in the official press release as the first agricultural trade office in the Far East, one of the network of agricultural trade offices authorized by Congress under the Agricultural Trade Act of 1978. The official statement further noted that the United States exported nearly $1.4 billion worth of agricultural products to Korea in Fiscal Year 1979. Three cooperator organizations were provided offices within the Seoul trade office, including the American Soybean Association, the National Renderers Association and U.S. Wheat Associates, Inc. A separate office within a few blocks was already established for the U.S. Feed Grains Council. The director of the new ATO was (and is) Evans Browne III who had been with FAS since 1971, had served as an assistant agricultural attache in Canada and France before becoming the agricultural trade officer in Seoul.

The first step in assessing the trade office in Seoul in September of 1981 was a meeting of the team with the agricultural trade officer. In an opening question and answer period, Browne noted that the general guidelines for the trade office at the time he undertook the position was the legislation passed by Congress. He suggested that it was "pretty much up to the ATO and the agricultural attache how those general guidelines were put into practice." In response to a specific question, he suggested that "the primary goal was to set up a trade office in which cooperators could work effectively."

Left out of the directives in establishing the ATO was the working relationship with the agricultural attache who was located in the American Embassy a few blocks away. The outcome was that the agricultural attache and the ATO had to work out an operational relationship. The major role of the ATO was eventually determined to be marketing work, including such items as the development of cooperator plans and their implementation. There were several advantages to this arrangement. For one thing, the ATO noted that the telex gives a much faster response time to trade inquiries than the traditional cable process employed by the State and Agriculture Departments. He outlined in some detail how the agricultural trade office provides services that sales personnel would previously have had to handle through a hotel or through a relationship with some local company. The trade officer also suggested that his handling of visitors schedules and cooperator programs tended to direct the Koreans toward the agricultural trade office. He did allow, however, that the Spinners and Weavers Association of Korea, when it could not readily understand the relationship of different cotton cooperator groups, went to both the ATO and to the new agricultural counselor for guidance.

When asked to contrast the role of the agricultural trade office and the agricultural counselor, which both were present in this particular setting, the trade officer suggested that he carried out a heavy load of correspondence, administered cooperators, oversaw development of their marketing plans, and implementation of those plans, and he had a major part in the scheduling of visitors having to do with trade.

By contrast, he suggested the agricultural counselor had a heavier set of responsibilities in terms of information reporting, in terms of liaison with the embassy, in terms of trade policy discussions with the Korean Government, and in terms of credit programs carried out by the Foreign Agricultural Service of the United States Department of Agriculture. His succinct summarization of this contrast noted that the counselor interrelates with the Korean Government representatives while the ATO interacts with the private trade, and especially American representatives of that trade.

In discussing the role of the cooperators within the trade office, the trade officer stated that cooperators present in Korea did not require a heavy investment of time. He pointed out that by contrast, one cooperator without an office in Korea, cotton, required a substantial amount of time. Likewise the Holstein-Friesian Association takes up a substantial amount of time of the agricultural trade officer.

One major difference was noted in Korea in the relationship between the U.S. Feed Grain Council and the American Soybean Association. In Singapore some 10 of the 11 programs carried out by these two cooperator groups had been joint projects. In Korea only 1 or 2 of the 20 projects carried out were common to both organizations.

Asked to list the benefits of the agricultural trade office, the trade officer suggested that (a) communications between cooperators and USDA is much better -- particularly helpful are cooperator, counselor and trade officer regular staff meetings -- , (b) that the arrangement saves considerable money because of collocation. He spelled out that the rent cost for all the cooperators, plus the agricultural trade office, amounted to $18,000 a year compared to $22,000 a year for the Feed Grains Council which was located elsewhere. He also suggested that the agricultural trade office is a guiding light of the market promotion activities of the cooperator groups.

The interview with the agricultural counselor was of a somewhat different nature. He suggested that there was considerable overlap in terms of the information that the ATO and counselor have to have in order to operate effectively. When asked whether the priority given market expansion was greater with an agricultural trade office as opposed to an attache structure, the agricultural counselor suggested that this depended on the personality and makeup of the attache. His own background of market development caused him to spend, he said, a substantial amount of time on the area of market development.

In what was a convincing discussion, he noted that an agricultural counselor must work closely with the cooperator groups if he is to be fully informed about what is going on in the agricultural sector. He suggested that cooperator groups look to the counselor because of his title for assistance in working with the Government. In further discussions in which the team asked him to evaluate the impact of establishing the agricultural trade offices, he suggested that their establishment "may have just dispersed the budget funds over more people." He carried this point further by suggesting that the really important point to be made relative to the agricultural trade offices is that additional resources be made available for trade servicing and trade promotion. He suggested further, that giving the agricultural trade officer the title of assistant attache, or even attache in those posts where there is an agricultural counselor, might increase the trade officer status and effectiveness, especially in the Orient.

Intermixed with the team evaluation of the trade office was the importation of a substantial amount of market information provided by the cooperators and staff of the trade office and the agricultural counselor. It was in many ways a demonstration of the amount of information located in the agricultural sector of the Korean-American compound. The discussion ranged from the latest estimate of the Korean rice problem, always of interest to the United States, to the latest estimate of flour milling capacity in the United States.

The evaluation discussions, especially with the cooperator groups, painted a picture of strong support for the agricultural trade office concept and the collocation of cooperator groups. It was pointed out that in Hong Kong where office costs have skyrocketed there is a movement among cooperator groups to collocate even though there is no trade office in that city. The wheat cooperator spelled out in some detail why he preferred the collocation concept, noting that being with the agricultural trade officer removes a whole set of problems of keeping track of rental costs and other bookkeeping needs, plus he suggested that the agricultural trade officer being an American could fill the need that he felt for an American to head a team involving discussions on wheat.

In the case of the cooperators in Seoul, three of the four cooperator groups are headed by Koreans -- the fourth is headed by a Korean who is a naturalized American citizen. When asked how cooperator groups interrelate with the agricultural trade officer, one cooperator noted that he used the agricultural trade officer to "interact with the private trade, help investigate problems and to report to FAS/Washington." It was evident, however, that the individual cooperator groups have different approaches in terms of how they use the agricultural trade officer. One cooperator spelled out that he ran his own program of expanding the market for his products and related his own efforts to encourage the Korean Government to reduce and remove restraints to the import of some of his particular products. But even he went on to note that "without the agricultural trade office, his cooperator group would have had a very difficult time getting started in Seoul."

It was not an unusual comment. Rather it fit the mold of many comments from many different people that the team talked to in their assessment of the trade offices in the three different countries and cities.

The ATO office in Korea followed the mold of other offices in some other respects. One was in the lack of criticism by persons with whom the team visited. The Korean visit was especially diversified in terms of people visited. The team spent a morning visiting persons in the embassy who interact with the ATO in one way or another. Included was the Administrative Counselor within the embassy. Mr. Knight had been with the embassy for approximately one year but had very few views on the operations of the agricultural trade office. He observed that there were few, if any, problems in the way the ATO office operated. This was further confirmed by the team in meetings with the Personnel Officer, Mr. Butler, and later with Mr. Alan Kellog who operated the computer systems within the embassy. Overall it was obvious in visiting with members of the American Embassy, that the trade office had operated effectively and without any notable problems during the 18 months it had been in Seoul.

After visiting with the personnel and administrative people in the embassy, the team then visited with cooperators. Of particular interest was Mr. Park who heads the U.S. Feed Grains Council in Seoul. He has been there for a significant period of time, beginning well before the establishement of the ATO. After briefing us rather thoroughly on the role and outlook of feed grains in the Korean livestock economy, Mr. Park went on to note that the establishment of an ATO was "very timely" for his country. He observed that the attache traditionally had always been very busy and had lots of documents piled on his desk. He felt the ATO lifted off a substantial amount of responsibility for this particular aspect of the counselor's duties. Mr. Park went on to observe that in the past the attache couldn't handle all of the inquiries he was called upon to handle and, thus, he was often calling the Feed Grains Council for information to help out on such inquiries. Now he noted the ATO handles much of this trade servicing activity.

One other aspect of the visit to the Feed Grains Council office was that the director noted that the Feed Grains Council was voluntarily asking for collocation in order to gain access to the services of the trade office. He noted that access to the telex was of particular interest to the Feed Grains Council, spelling out in some detail how office personnel had to make the trip across town to utilize the telex and noting that if there was collocation he would no longer have to make this kind of time-consuming trip.

A point on staffing raised by the Feed Grains Council director was similar to those heard in other posts. Mr. Park suggested that while staffing level at present might be adequate to handle the ATO activities, for the future he was convinced that it would prove to be inadequate. Specifically he noted, even at the present, U.S. visitors are well handled but Korean visitors are given inadequate time and attention in his view. He went on to spell out the need for personnel to handle the Korean National who would come to the office and ask for information or other kinds of assistance. Mr. Park's final point was that even if the ATO concept had been established only for Korea, it would have been justified and extremely useful. In his mind at least, the concept of an agricultural trade office was beyond doubt justified, useful and a step forward in merchandizing U.S. agricultural products overseas.

The visit with the director of the American Soybean Association office was very similar in many respects. He noted that the concept of collocation saves time, costs less in terms of rent, and gives the idea to the Korean public that American agriculture is interested in selling products overseas. As with many other of the people visited, the ASA representative had few, if any, negatives to talk about in terms of the ATO. Even when asked point blank if he had problems, he turned his problems into what were really supporting evidence for the value of an agricultural trade office.

Another group that the team spent considerable time visiting was the private trade. One such visit was with the buyers for the tourist hotel trade. Time after time the view was expressed that "the ATO has been instrumental in giving us the contacts we need." There was little, if any, criticism of the concept despite the repeated efforts of members of the team to ask the specific people visited for any negatives in terms of the operation of the trade office.

There were some other aspects of agricultural trade that did come through in a negative fashion -- one made by the chef of a large hotel in Seoul was that U.S. suppliers are not as responsive to overseas buyers as they would be to U.S. buyers. This particular chef had served in the United States as a chef of a major hotel and he was obviously convinced that he was not getting the kinds of response as a chef in a major hotel in Seoul that he had gotten during his stay in the United States. He went on at some length to spell out the particular problems that he had had with ordering from U.S. buyers. One particular problem he laid out was acted on by both the agricultural trade office and by the team in an attempt to find a solution and to resolve the problem.

Overall the visit to Seoul and the evaluation of the trade office proved to be of a very positive nature in terms of whether the ATO concept was useful, whether it was serving a purpose, and whether it should be continued in its present form. After several days of rather intense discussions with an extremely wide range of people, the team came away with the clear impression that there were very few, if any, problems involved in operating the office. The team also drew the conclusion that the office was serving a very useful purpose, that it was helping in expanding agricultural exports and that it should be continued in its present format with little, if any, change. Undoubtedly more personnel might give it additional thrust in terms of selling agricultural products but until the Korean Government decides to open up the market it was not obvious that further market development efforts might do except to create further pent-up demand for American agricultural products.

Clearly the review of trade prospects by the different cooperator groups, as well as by the private trade, suggested that there is already more demand for American farm products in Korea than the Korean Government is willing to allow to enter the country. This essentially suggested that market development efforts will be somewhat futile unless they are coupled up with efforts to negotiate more open market and greater access to the Korean market. This particular aspect pointed up that a trade office per se in a country like Korea is not a final answer to the market development concept. It must be coupled up with appropriate steps in trade policy, as well as necessary levels of support in agricultural credit. Even additional information was pointed up as a necessary ingredient in the overall thrust of development of a concept of an agricultural trade office.

EVALUATION OF THE U.S. AGRICULTURAL TRADE OFFICES IN LONDON, HAMBURG, AND WARSAW

This report was prepared by: Richard J. Cannon, Assistant Administrator, International Agricultural Statistics, Foreign Agricultural Service, U.S. Department of Agriculture; Reed Friend, Chief, Western Group Branch, International Economics Division, Economic Research Service, U.S. Department of Agriculture; and Norman Tucker, Director of Exports, H.W. Longacre, Inc., October 1981.

SUMMARY

The evaluation team followed a pre-set agenda with discussions and/or meetings with key officials at each post. The agendum were well planned and contained the types of meetings necessary for the team to evaluate each Trade Office given the very short period of time available.

All personnel without exceptions, are working diligently to make the Trade Office an effective tool in market development. The evaluation team was impressed with the dedication of the Officers and the Counselors/Attaches to the Trade Office concept.

Generally, Cooperators embrace the Trade Office concept. Some, however, prefer to remain aloof from the Trade Offices. This mostly reflects a desire not to be identified as part of the Government bureaucracy.

It is apparent that the U.S. Trade is using the Trade Offices as a base away from home. This is important and needs to continue to be encouraged by FAS/Washington.

GENERAL RECOMMENDATIONS

1. The care in selecting of outgoing Trade Officers is very important to the success or failure of the Trade Office. FAS/Washington needs to understand that every Trade Office is different, thus different types of personnel are needed in order to make the Trade Offices effective. FAS/Washington needs to prepare each of the selectees with appropriate training, background, and language ability. The employee must have a strong desire to want to work in market development utilizing skills necessary to deal with the local and U.S. trade. It would be helpful if the Trade Officer had some commercial experience. Perhaps an exposure to agricultural industry through a training program might be feasible. Of further possibility is that FAS/Washington should consider developing a cadre of Trade Officers with a career ladder of their own, including incentives (promotions, etc.) to make that career an end in itself.

2. Tours of duty for Trade Officers should be longer than two years. The local trade in the U.K. especially, indicated at least four years and maybe longer. It sometimes takes three or four years to penetrate the local market and make the office effective.

3. The European ATO's should make direct use of the FSIS and ARS offices in Brussels and Rotterdam in the handling of trade complaint problems.

4. FAS/Washington should consider giving ATO's regional responsibilities which to the extent possible coincide with Cooperator responsibilities.

5. ATO's need to be advised again that the Export Promotion Divsion in FAS/Washington is the focal point for all services relating to the operation of their individual offices.

6. The value of ATO's really center on the importance of value added products to the individual markets and the total export picture. Bulk product market development appears to be the responsibility of Cooperators and should continue to be so. Thus, any cost/benefits ratio should mostly relate to further processed items in the market covered.

7. Of considerable importance in the relationship of Cooperators and ATO's in defining supervision responsibilities. The evaluation team believes the ATO has a coordinating function not a supervision function in working with Cooperators on cooperator programs.

8. The evaluation team strongly recommends that Cooperator home offices provide extensive training programs for their field office representatives. In addition, the field cooperators need periodic follow-up advice and guidance from the home office. This is especially true for new employees but is also important for "old hands".

9. FAS/Washington needs to provide more information to the U.S. Trade describing the pressence of the Agricultural Trade Offices and of the services that are available. It is also important for the U.S. Trade to be instructed what is expected of them if they choose to utilize the ATO facilities.

10. FAS/Washington should develop a systematic method or scheme for evaluating the efficiency and effectiveness of ATO's. Although it is possible to generate a "gut feeling", few measurements are available to rigorously "quantify" ATO performance. Although the number of trade contacts can be counted and initial sales fairly accurately estimated, the means to identify and estimate medium to long run sales resulting from the ATO's initially-arranged contacts between buyers and sellers does not exist. It is highly unlikely that this information will be available in the future, but it may be possible to develop alternative criteria or measurements. Factors likely to affect the efficiency and effectiveness of ATO such as location, physical facilities, training and experience of staffing, and the kind and intensity of promotional activities, should also be identified and analyzed.

AGRICULTURAL TRADE OFFICE EVALUATION - LONDON

Evaluation Team: Norman Tucker, H.W. Longacre, Inc.
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Richard Cannon, Foreign Agricultural Service, USDA

Date of Evaluation: September 14-16, 1981

INTRODUCTION

The Agricultural Trade Office in London was officially opened on May 26, 1978. The office brings together into one central location the London staffs of the U.S. Feed Grains Council, the Poultry and Egg Institute of America, and the U.S. Meat Export Federation. In addition, the office includes an Agricultural Trade Officer attached to the American Embassy. He directs export developments for U.S. farm products in the United Kingdom. U.S. agricultural sales to the U.K. in FY 1981 amounted to over $1 billion.

EVALUATION PROCEDURE

The evaluation team followed a pre-set agenda with discussions and/or meetings with the Agricultural Trade Officer and Staff, the Ag Counselor and Staff, key Embassy staff, the on-site Cooperators, and United Kingdom importers. This report will provide a section on each of these meetings and will close with specific recommendations.

AGRICULTURAL TRADE OFFICE (ATO) AND STAFF

The ATO in London is located at 47 Upper Grosvenor Street, just across the street from the American Embassy. Staffing for the ATO consists of an Agricultural Trade Officer, senior marketing specialist, and a secretary. Also located in the ATO are representatives and supporting staff of three Cooperator organizations -- Poultry and Egg Institute of America, U.S. Feed Grains Council, and U.S. Meat Export Federation.

The espirit de corps of the ATO staff appears to be excellent. The staffing level of the ATO is sufficient to carry out the essential functions of the office. Major functions include: (1) developing contacts with the British food industry (processed agricultural products); (2) providing British importers/buyers with the appropriate names and addresses of U.S. suppliers; (3) providing FAS/Washington with a listing of British importers expressing interest in imports of specific U.S. agricultural and food products (for TORS); (4) working with U.K. importers to resolve problems arising in the importation of U.S. agricultural products; and (5) carrying out required administrative responsibilities. Other activities carried out by the Agricultural Trade Officer include responding to trade inquiries about shipment of U.S. agricultural and food products to the Middle East and Africa (through British contacts or directly to trading officials from the Middle East and Africa) and providing consultations on market development activities to other selected U.S. attaches/counselors on the continent.

Physical facilities for the ATO consists of the basement, 1st, and 3rd floor of the building located at 47 Upper Grosvenor Street. The structure is poorly suited to the needs of an ATO due to the rather substantial length but narrowness of the building, the extreme dampness and undesirable appearance and odor (on occasion) of the basement offices, and the lack of a conference room, kitchen facility, and adequate display area. Although the ATO is convenient to the U.S. Embassy, it is not located in the main trading center of London. The 5-year lease on the building has another 22 months until expiration.

Approximately 350 tradesmen visited the Agricultural Trade Officer during September 1980 through August 1981. The number of traders making initial sales is not known since this information is not routinely communicated to the ATO (buyers and sellers generally view the ATO as a medium for bringing them together and not necessarily entitled to sales information). Some U.S. tradesmen have used the ATO facilities, as well as Embassy facilities, to demonstrate or exhibit their products to potential customers.

ATO AND AGRICULTURAL COUNSELOR

The Agricultural Counselor in the United Kingdom is newly arrived so that "actual" working relationships between the Agricultural Trade Officer and the current Agricultural Counselor cannot be addressed at this time. It would appear, however, that the Counselor will take an active role in market development. He indicated he and the Agricultural Trade Officer fully intended to establish long range goals and/or programs to enhance U.S. agricultural trade. In addition, he and his staff will be developing market profiles by commodity as well as providing support to the ATO with statistical and market analysis, trade policy information, and overall guidance.

Activities by the ATO and the Agricultural Counselor's Office (ACO) have been complementary in the past. The ATO has handled trade contacts and market development programs for processed agricultural products, while the commodity analysts on the ACO's staff have dealt with the bulk commodities. Frequent trade-related discussions occur between the ATO and the commodity analysts.

The Agricultural Trade Officer reports to the Agricultural Counselor. FAS-Cooperator annual market development plans for the United Kingdom will be approved by the Agricultural Counselor after review and recommendation by the Agricultural Trade Officer.

ATO AND COOPERATORS

There does not appear to be any major conflict and/or problems between the Agricultural Trade Officer and the Cooperators. There is, however, some misunderstanding of the office concept and how involved the Trade Officer should be with Cooperator programs. During the discussions, the Cooperators presented some opposing views regarding the benefits of the ATO.

All Cooperators are agreed that the physical facilities of the ATO are undesirable and inadequate to their needs. The Cooperators desire relocation as soon as possible but are resigned to remain at 47 Upper Grosvenor Square for 22 more months.

Although no Cooperator recommended extensive modifications to their existing offices, they did point out the need for immediate improvements in some areas (proper storage space for documents, installation of dehumidifiers, concealing of plumbing, and improved security). Some concern was expressed that the Cooperators may have gotten the short end of the stick on office location and restoration.

Two of the Cooperators felt that the ATO was beneficial to them in terms of interaction with the Agricultural Trade Officer and with fellow Cooperators. One Cooperator felt that he could operate just as effectively without an Agricultural Trade Officer as with one. He indicated possible trade leads beneficial to and affecting other Cooperators could be passed along to the other Cooperators by phone and need not be done within the confines of the ATO.

All of the Cooperators are responsible for market development activities in areas additional to the United Kingdom. This necessitates a substantial absenteeism from the office for Cooperators (one Cooperator was away from the office 75 percent of the time). The Agricultural Trade Officer tries to provide some backstopping for Cooperators (which is not always welcome) during their absence from the office. It should be understood that the role of the Trade Officer is to coordinate, not to supervise.

The Cooperators, on matters needing a decision, tend to deal directly with the Agricultural Counselor (and commodity analysts) in the Embassy and with the Agricultural Counselor/Attaches of other countries rather than with the Agricultural Trade Officer. Regularly scheduled meetings are not held between the ATO and Cooperators.

Cooperators seemed generally uninformed about the services which the Agricultural Trade Officer could provide in requesting Attache Commodity reports, trade information, and other publications from USDA/Washington for their use as reference materials. In most cases, the Cooperators at the ATO simply don't know of the vast array of data available. The Counselor and the Trade Officer need to advise the Cooperators of these services.

Two of the Cooperators felt that periodic meetings (perhaps biweekly) with the ACO staff and the Agricultural Trade Officer would be beneficial in keeping current on policy matters and on commodity prices and market developments.

The Cooperators view the Agricultural Trade Officer as beneficial in handling administrative aspects of arranging for physical facilities and in dealing with the landlord on matters of rent, repairs, and building modification.

The Agricultural Trade Officer co-reviews and co-approves the market development plans developed by the Cooperators with the Agricultural Counselor. In preparing the plans, the Cooperators sometimes hold discussions with the commodity analysts on the Agricultural Counselor's staff.

ATO AND UNITED KINGDOM TRADERS

United Kingdom traders, on the basis of contacts made during the visit, consider the ATO as a focal point for servicing. The ATO is generally believed to offer advantages over and above those which would be obtainable from the Attache/Counselor's Office (difficulty of access to the Embassy, a lack of time for the Agricultural Counselor staff to focus on detailed trade matters, and a more formal constraining atmosphere in the Embassy).

The general feeling is that the United States should more aggressively promote and service their agricultural trade. Many other countries have better promotional programs and provide better services to the United Kingdom importer/buyer than does the United States. Competition in the United Kingdom market is very keen.

More specificially, the United States must use more promotional materials to advertise its product. The generic advertising of a product, such as "U.S. wines", is strongly recommended. In addition, United Kingdom traders strongly emphasized the need for ready availability of U.S. inspectors to assist and advise when disease outbreaks or other problems occur on imports. The United States was encouraged to be more aggressive in trade negotiations and to push harder on access to the EC market.

The ATO has been successful in establishing key import/buyer contacts in the processed foods industry. Most of the contacts have been achieved through direct personal contacts, trade promotion activities, through U.S. exporters seeking U.K. importers/buyers, or by contacts with British importers/buyers seeking specific U.S. products. The flow of information between the ATO and U.K. traders appears to be excellent.

Plans to hold monthly luncheons with the U.K. trade should result in improving already good relations between the ATO and the traders. More frequent participation by USDA officials in commodity marketing conferences to explain U.S. policies and to enunciate the U.S. point of view should be beneficial.

RECOMMENDATIONS

1. Due to the specialized functions of the ATO, great care should be exercised by the FAS/Washington leadership in placing the most qualified individual at this post. The London Agricultural Trade Officer should be strong in marketing concepts, committed to the marketing of value added products, and be able to work closely with the U.K. trade. Any specialized training related to the above characteristics needed by the Trade Officer prior to assignment should always be given.

2. FAS/Washington should begin immediately to reach a decision on whether to move the London ATO to improved quarters or not. If the decision is to move, then the Trade Officer and staff should begin ASAP to seek office facilities and develop plans for refurbishing and renovation, if necessary. If the decision is not to move, then considerable planning for major renovation in the present facilities is necessary.

3. Adequate, comfortable space should be assured to the Agricultural Trade Officer and staff, and Cooperators and their staff. A conference room (accommodating at least 30 persons), kitchen facilities and generous display space should be provided. If possible, the ATO should be located in the trade district. The ATO need not be located close to the American Embassy.

4. Some improvements at the present location of the ATO should be made immediately. The basement of the ATO in London should be equipped with dehumidifiers to significantly reduce dampness. The ATO and Cooperator staffs should assess storage capacity needed for essential publications and documents and the necessary equipment purchased and located in areas not subject to severe dampness. Alternatively, FAS/Washington could consider relocating the ATO as soon as possible, forgo any further expense on improving current facilities, and bear the loss of remaining rental payments.

5. The relationship between the ATO and Agricultural Counselor's office should not be changed. Benefits can accrue to U.S. agricultural trade interests when there is a close cooperation between the ATO and the commodity analysts. The requirement that the Agricultural Trade Officer report through the Agricultural Counselor should not be changed. However, the Agricultural Trade Officer should be permitted to fully apply

his/her initiative in formulating trade promotion programs and trade contacts to increase U.S. agricultural exports.

6. An increased effort should be made to keep the Ambassador and the DCM fully apprised of activities of the ATO in order to gain their full support and enthusiasm for the FAS/USDA market development program. The strong relationship developed between the ATO and Department of Commerce Officials (including the International Marketing Center) should be continued.

7. Regularly scheduled meetings between the ATO/ACO and the Cooperators should be arranged. A biweekly meeting should be tried, but changed to another time frame if proven inappropriate.

8. The Agricultural Trade Officer must assemble and maintain a reference file of USDA information and reports beneficial to Cooperators in their work. Cooperators should be encouraged to ask the ATO to obtain any information from USDA/Washington which might be helpful to their market development programs.

9. The Agricultural Trade Officer must provide more definite information to Cooperators regarding the specific objectives of visitors to the ATO. It may be necessary to follow-up with FAS/Washington to obtain additional details on visits.

10. The Agricultural Trade Officer in London operates a country market development program while the Cooperators operate a regional program. This can prove somewhat frustrating for the Trade Officer since Cooperators are frequently absent from the ATO and consequently unavailable to service the U.K. market (one Cooperator essentially provides no servicing of the U.K. market). The Cooperators need to keep the Trade Officer better informed of their travel plans.

11. The ATO must provide immediate and personal service to U.K. importers/buyers experiencing problems on imported U.S. agricultural commodities. FAS Form 802 should be completed immediately and sent to FAS/Washington for action. Vigorous follow-up to determine Washington progress is essential.

12. FAS/Washington should work with the London ATO to evaluate the costs/benefits of carrying out the generic promotion of U.S. agricultural products. Regional advertising may offer economies of scale.

13. The ATO, FAS/Washington, and Cooperators should collectively develop plans for a more intensive promotional campaign in the United Kingdom for U.S. agricultural commodities. Arranging U.K. importer/buyer teams to the United States could be a component of a more intensive promotional effort.

AGRICULTURAL TRADE OFFICE EVALUATION - HAMBURG

Evaluation Team: Norman Tucker, H.W. Longacre, Inc.
Reed Friend, Economic Research Service, USDA
Richard Cannon, Foreign Agricultural Service, USDA

Date of Evaluation: September 17-21, 1981

INTRODUCTION

The Agricultural Trade Office in Hamburg was officially opened on November 19, 1979. The Office brings together into one central location the Hamburg staffs of the Poultry and Egg Institute of America, the U.S. Meat Export Federation, and the National Forest Products Association/National Lumber Exporters Association. In addition, the Office includes a Agricultural Trade Officer attached to the American Embassy in Bonn. He directs export developments for U.S. farm products in West Germany. U.S. agricultural sales to Germany in FY 1980 amounted to over $1.8 billion. The figure does not include a substantial quantity of products transshipped through the port of Rotterdam.

EVALUATION PROCEDURE

The Evaluation Team followed a pre-set agenda with discussion and/or meetings with the Acting ATO (Agricultural Counselor) and the Trade Office Foreign National staff, Agricultural Counselor, on-site cooperators, West German importers, and the former Agricultural Trade Officer. The office is currently without a permanent Trade Officer as that position is in transition waiting for the new officer to arrive. This report will provide a section on each of those meetings and will close with specific recommendations.

AGRICULTURAL TRADE OFFICE (ATO) AND STAFF

The U.S. Agricultural Trade Office is located at Grosse Theaterstrasse 42, 2000 Hamburg 36, about 300 miles from the U.S. Embassy in Bonn. Office staff at the time of the team visit consisted of a Temporary Director (the U.S. Agricultural Counselor at Bonn), a Senior Agricultural Specialist, an Agricultural Specialist, and a Secretary (unlike the London ATO, the ATO in Hamburg has a reporting responsibility which includes both cotton and tobacco). The previous Trade Officer ended his ATO tour and returned to Washington, D.C., in September of 1981. Cooperator organizations located at the ATO include the Poultry and Egg Institute of America, the U.S. Meat Export Federation, and the National Forest Products Association/National Lumber Exporters Association. Other cooperator organizations located in Hamburg include the U.S. Feed Grains Council (a person under contract) and the American Soybean Association. The California Cling Peach Advisory Board/Florida Citrus Commission and the International Institute for Cotton are located at Frankfurt.

The ATO in Hamburg opened in September 1979 and is located on the 6th floor of a modern office building. The offices are quite comfortable and the space is more than ample for the ATO and cooperators currently at the location. There is a small conference room but no significant kitchen facilities.

Local staff at the ATO felt that significant progress had been made in the operation of the ATO. The first year was spent largely in becoming operational, advertising the ATO, and making trade contacts. The second year has been spent on substantive activities involving trade promotion. Although promotional activities were rather ineffective for popcorn and peanut butter, significant results were achieved for wine, pecans, and lumber. Efforts to participate in a trade fair in East Berlin fizzled out.

Eighty-percent of U.S. agricultural exports shipped to West Germany are covered under market development activities by U.S. Cooperators, about 20 percent are covered by the Trade Officer and his staff. Fifty-percent of U.S. agricultural exports to West Germany are oilseeds and grains; 30 percent are cotton, tobacco, and fruits and vegetables. The remaining 20 percent are a wide array of agricultural commodities and processed foods.

The facilities are being used by U.S. tradesmen. During the last 12 months, 423 U.S. tradesmen visited the ATO. The number successful in making initial sales is not known. The Acting Trade Officer felt that it was extremely difficult to entice West German importers/buyers into the ATO functions since they already have established contacts in the trade. Also, security controls and lack of parking facilities were believed to be additional handicaps. The staff of the Acting Trade Officer felt that they were contributing a valuable service to West German importers/buyers as well as to U.S. exporters making inquiries about the West German market.

Staffing at the ATO is probably more than sufficient to meet purely market development needs. The relocation of cotton and tobacco reporting to Bonn would reduce staff requirements to three persons. However, a staff of three persons at the ATO would require assistance from commodity analysts at Bonn on a more frequent basis. In addition most market demand studies would also need to be carried out at the Embassy in Bonn.

ATO AND THE AGRICULTURAL COUNSELOR

The Agricultural Counselor delegated to the previous Trade Officer the authority to approve all cooperator market development plans for West Germany. This delegation of Authority will not be immediately given to the new ATO Director. An information copy of all correspondence signed by the ATO Director is sent to the Agricultural Counselor.

Requests pertaining to market development which come to the ATO in Hamburg are handled there; requests which come to Bonn are handled by the ACO. Probably the split is 80 percent Hamburg, 20 percent Bonn. Concern was expressed that some of the responses prepared in the ATO lacked technical accuracy since the Agricultural Specialist was not reporting on or familiar with that specific commodity. Getting all of the facts from the commodity analyst was not possible by phone.

There is some duplication of effort between Hamburg and Bonn on the getting together of buyer and seller. Under a strict interpretation of ATO responsibilities, the ATO should have responsibility for fair activities. Nevertheless, the ACO will be responsible for Green Week, the ANUGA fair in Cologne, and the ICOFA fair in Munich.

Trade complaints may go initially to the ATO, but matters of any significance, particularly for bulk commodities, are sent on to the Agricultural Counselor. Consequently, according to the Acting Trade Officer, the ATO is not necessary in the handling of trade complaints.

The ATO-ACO relationship has worked because the Trade Officer and the Agricultural Counselor have been flexible enough to make it work. A deliberate attempt was made by the Agricultural Counselor to grant increased authority to the ATO Director and to minimize time spent at the ATO.

The ATO has little direct contact with the Embassy other than through the ACO. Both the Ambassador and the DCM are kept informed of the major activities/functions of the ATO by the Agricultural Counselor. The ATO has practically no contact with the Commercial Attache in Bonn. He does have a good rapport with the Consulate in Hamburg, working closely with the Consulate General and the Econ/Commercial Officer.

ATO AND THE COOPERATORS

All of the Cooperators contacted felt that the ATO performed useful functions. However, there was a considerable difference in opinion as to the value of collocation, specific benefits of the ATO, and the desirability of maintaining independence from an U.S. government agency.

The most frequently mentioned benefit of the ATO was the administrative function it performed, approval of 202's, interpreting U.S. government regulations, and providing telex and reproduction services. On the other hand, several cooperators indicated that the ATO staff seemed overwhelmed with paperwork so that little time was available for trade contacts and basic market development work.

All of the Cooperators feel that the physical facilities are comfortable and conveniently located within Hamburg. A few Cooperators indicated that space should be made available within the office complex for product display. All of the Cooperators strongly feel that separate entrances to the ATO and the Cooperators' offices should be maintained.

The Cooperators collocated within the ATO in Hamburg were highly complimentary of the benefits of the ATO. Availability of excellent facilities, administrative and technical assistance extended by the ATO staff, the availability of telex and reproduction equipment, and opportunity for exchange of information and ideas with other Cooperators were mentioned as positive factors favoring collocation. These Cooperators did not seem to know or to be concerned with the rental cost of the facilities. Neither did these Cooperators seem overly concerned with their trade contacts knowing that they were partly funded by the U.S. Government.

Cooperators (or representatives) of bulk commodities not collocated within the ATO expressed somewhat different views. Collocation was felt undesirable because low rental rates were available at current locations, an established long-term location is essential to service the trade, the appearance of complete independence from a government agency must be maintained to be effective, telex information going into the ATO is censored and would be of little benefit, and ATO's are likely to be temporary.

The ATO was not reviewed as being of much benefit to Cooperators in handling trade complaints. Most of the Cooperators indicated that they would first try to handle the complaint themselves but that if major assistance was needed, they would contact the Agricultural Counselor.

One Cooperator felt that the ATO should service a region rather than just servicing West Germany. Every time a Cooperator travels outside West Germany, it is necessary to obtain out-of-country authorization which could be avoided with the regional concept. Some of the other Cooperators felt that their multicountry responsibilities could be better coordinated from locations other than Hamburg (Frankfurt and Brussels, Belgium were cited).

The general impression conveyed by the Cooperators is that an ATO in Hamburg is essential to promote sales of U.S. agricultural products. Although an ATO can prove highly beneficial to Cooperators trying to get estabished, long-established Cooperators already have their place of business and a complete knowledge of buyers and sellers. The ATO is viewed as being of considerable benefit to the marketing of processed agricultural products, but of little if any benefit in promoting the sale of bulk commodities.

The ATO/Cooperator relationship seemed to be working relatively smoothly. Cooperators collocated with the ATO felt that the Trade Officer was not looking over their shoulders but that he was available when needed. Regularly scheduled meetings are not held between the ATO and the Cooperators. Some friction has evolved between the Cooperators and an Agricultural Counselor outside of West Germany. A determination as to the justification for this friction and how to eliminate the friction will require further investigation by FAS/Washington.

ATO AND THE WEST GERMAN TRADE

The Team visited the offices of three tradesmen -- a grain importer, a fresh fruit and vegetable importer, and a representative of the tobacco importers.

All of the traders were highly complimentary of the ATO and felt that no changes whatsoever were needed since the ATO was already effective. However, they pointed out that the Trade Officer in Hamburg should be market/trade oriented and have the capability to think German and European.

The grain importer emphasized the need for an ATO for public relations purposes and to help in interpreting the complex regulations and decisions coming out of Washington. The soybean export controls during the Nixon administration and the grain export controls during the Carter administration are examples of where the ATO can perform a useful function on discussions with the trade. The ATO can also be beneficial in interpreting and explaining U.S. farm programs.

The ATO is viewed by the grain trade as being helpful in the settlement of a claim. Location of the ATO in Hamburg is much more convenient than trying to contact the Agricultural Counselor in Bonn when there is a frequent turnover in the position, and the Counselor may be unavailable or have little specialized knowledge on grain trade. The strength of the ATO, however, will depend on the officer in charge.

Cooperators, such as the U.S. Feed Grains Council and the American Soybean Association, work with their customers in providing technical advice. The trader that met with the Team had little contact with the Cooperators although he was well-aware of their existence and their role.

The grain trader spoke well of the receptions hosted by the ATO and felt that it effectively brought together people with mutual interests. He was not aware of any other countries that had offices in Hamburg similar to the ATO. The trader did mention the Canadian International Grain Institution and said that he had personally attended one of their courses.

The fresh fruit and vegetable trader indicated that he had received excellent help from the ATO in locating U.S. suppliers of specific products. He had not personally attended nor was he aware of any receptions hosted by the ATO. The first acquaintance with ATO officials was when they visited his office.

Prior to the ATO, the trader depended on his U.S. supplier of a commodity to recommend sources of other commodities. The trade works closely with Sunkist on citrus supplies. He said the United States operates at a disadvantage in the EC because many other suppliers such as Israel, receives preferential tariff rates. A stronger dollar, and the reduced availability from the United States (due in part to the medfly) has drastially cut fresh citrus imports from the United States.

Although the Israeli Sales Marketing Board has an office in Hamburg which can provide information on production, prices, shipping costs, etc., there is no particular advantage to this since the trader can get good information from supplier firms in the United States as well as work closely with Sunkist and the ATO.

The tobacco trader stressed the long-standing relationship he had enjoyed with the Senior Agricultural Specialist, ATO (and the American Consulate General in Bremen where the tobacco report for FAS/Washington had been prepared for years). Several visits had been made to the ATO since its establishment in 1979 and the exchange of information is quite useful.

During the "Tokyo Round", meetings were organized through the ATO to monitor the trade discussions on tobacco. This forum provided a useful means of bringing interested people together and to discuss various points of view. The most important traders were at the meetings.

The relationship with the ATO is extremely close and he knows of no way to improve the effectiveness of the ATO. Communications are excellent. Location of the ATO is appropriate for tobacco since imports are only through Bremen and Hamburg. The United States supplies 20 percent of West Germany's imports of tobacco.

FORMER AGRICULTURAL TRADE OFFICER

The former Trade Officer had high praise for the staff at the Hamburg ATO. He indicated they have a strong dedication to U.S. market development and the Trade Office concept.

The Trade Officer indicated that the loss of Pieter Berben to retirement will be significant. Mr. Berben also has tobacco reporting responsibilities and care should be given to the decision on whether that should be done in Bonn or Hamburg. This is a decision that the Counselor and the Attache Service needs to decide soon.

According to the Trade Officer, the work of the office should be primarily on bulk commodities because that is what the trade consists of in Germany. Value added products are difficult to promote because of the strict German laws on additives, labeling, etc.

The three promotional events in Germany (ANUGA, Green Week, and ICOFA) are currently handled by the Embassy staff. It was indicated that the ATO should be more directly involved particularly with ANUGA and ICOFA.

RECOMMENDATIONS

1. Although the previous Trade officer was viewed as extremely knowledgeable on grain trade, the limited involvement of the ATO with Cooperators handling bulk commodities would not seem to call for an in-depth knowledge of this type. However, FAS/Washington leadership should exercise care to select a person with good administrative ability (to find ways to expedite the paperwork), of high professional caliber, and market development oriented towards value added agricultural products.

2. The new Trade Officer and the Staff of the ATO, in conjunction with the Agricultural Counselor, should make minor changes in the office layout to accommodate a product display area.

3. The Agricultural Counselor and the ATO should establish the goal of moving reporting on cotton and tobacco to Bonn and use the staff at the ATO for market development activities only.

4. Because of the 300 mile separation, satisfactory working relationships between the Agricultural Counselor and the Trade Officer are especially difficult to establish. Clearly, the Trade Officer must be given more authority to act on behalf of the Agricultural Counselor than when the two are close together (e.g., London). Perhaps the best policy is for the Agricultural Counselor to extend greater authority only as the Trade Officer demonstrates ability to assume more responsibility.

5. A system must be put in place so that ATO staff members are better able to draw on the commodity analysts in the ACO to insure accuracy and completeness in responding to market development queries. The Agricultural Counselor should instruct commodity analysts to routinely send clippings and other information relating to market development to the Trade Officer so that the ATO staff can better perform their responsibilities. The Trade Officer must keep the Agricultural Counselor informed at all times of significant developments at the ATO. A joint monthly meeting between professionals of the ATO staff and the Agricultural Counselor and commodity analysts woud seem desirable, but may be impossible due to lack of travel funds.

6. The Ambassador and the DCM must be kept fully informed of activities of the ATO in order to gain their full support and enthusiasm for the FAS/USDA market development program. An increased effort shoud be made to develop a stronger relationship between the ATO and the Department of Commerce market development officials.

7. Scheduled monthly meetings should be started on a trial basis between the Trade Officer and the Cooperators to facilitate the exchange of administrative information as well as other substantive market development information. When possible, the Agricultural Counselor and commodity analysts -- especially for a commodity area wherein important changes have recently occurred -- should be in attendance. If this is not possible, the ATO staff should meet with the Cooperators after visiting the Agricultural Counselor and the commodity analysts. If these monthly meetings do not prove beneficial, they should be discontinued.

8. The Trade Officer should keep the Cooperators fully informed of reports and information available from USDA that would be beneficial to their programs. This information would include commodity specific data on production, consumption, trade, prices, and marketing channels as well as other items.

9. FAS/Washington should work with the ATO to evaluate the costs/benefits of carrying out the generic promotion of U.S. agricultural products in West Germany. Some form of regional advertising may offer economies of scale.

10. Although one Cooperator suggested that the ATO in Hamburg be expanded to a regional office, no change is recommended at this time. The responsibility that Agricultural Attaches/Counselors must have to keep fully informed of activities in their assigned country complicates the ATO "regional concept" in Western Europe. However, FAS/Washington should study the matter further to assess the pros and cons of the proposal. All of the Cooperator's market development programs do include more than one country.

11. Based on the trade contacts made by the Team, market development activity in West Germany seems to be heavily weighted towards the bulk commodities. If this situation is true, more emphasis should be given to market development of processed (value added) agricultural commodities.

12. The ATO needs to extend its market development activities on a more frequent basis to areas outside of Hamburg. Perhaps one way of doing this is to tie onto trade activities being conducted by Commercial Attaches at American Counsulates at various locations in West Germany.

AGRICULTURAL TRADE OFFICE EVALUATION - WARSAW

Evaluation Team:	Norman Tucker, H.W. Longacre, Inc. Reed Friend, Economic Research Service, USDA Richard Cannon, Foreign Agricultural Service, USDA
Date of Evaluation:	September 22-23, 1981

INTRODUCTION

The Agricultural Trade Office in Warsaw was officially opened on May 28, 1980. The office serves as a focal point for market development activities of U.S. agricultural products in Poland, Czechoslovakia, Hungary, and Romania. These countries are a market for about $1 billion of U.S. agricultural products almost all of which are under credit-type arrangement. The Warsaw office assists non-profit trade associations (cooperators) currently working in Eastern Europe.

EVALUATION PROCEDURE

The evaluation team followed a pre-set agenda with discussion and/or meetings with the ATO and staff, the Agricultural Counselor, Embassy officials, the Cooperators, and the Polish trade/importers. This report will provide a section on each of these meetings and will close with specific recommendations.

AGRICULTURAL TRADE OFFICE (ATO) AND STAFF

The ATO in Warsaw is located at Biuro Handler Rolnego, U.S.A., Wiejska 19, 00-480 Warsaw, a five minute walk from the U.S. Embassy. Staffing for the ATO consists of an Agricultural Trade Officer, Senior Marketing Specialist, and a Secretary. No Cooperators are collocated with the ATO or anywhere else in Warsaw, but there is substantial cooperator activity in the four country region.

The morale of the ATO staff appeared to be good during the limited time of observation available to the Team. The staffing level is believed to be sufficient to carry out the essential functions of the office. It is important to keep in mind that the ATO in Warsaw has responsibility for four countries. The Trade Officer estimated time spent on the four countries as follows: Poland - 76 percent; Romania - 13 percent; Hungary - 10 percent; and Czechoslovakia - 1 percent. Foreign purchases in all four countries are done by the Government.

Physical facilities for the ATO are located in a two-story building with the AT Offices on the first floor, but could conveniently house two Cooperators and their secretaries. The top floor is currently empty. The layout of the facilities is such that large receptions can easily be arranged. A formal dining room is available for seating approximately 10 people. Kitchen facilities are also available. However, the ATO, as presently laid out, will not accommodate satisfactory separate entrances for the Trade Officer and the Cooperators. No separate area has been set aside as product display space.

Approximately 103 official visitors visited the ATO during January through December 1980. The number of traders making initial sales is unknown but is believe to be neglible given the modus operandi of centrally planned governments. Both Cooperators and Polish government officials have used the ATO on numerous occasions.

The current market development activities of the ATO are centered almost entirely on working with Cooperators and bulk commodities. Although these activities are largely in Poland, they extend also to Romania and Hungary with hardly any activity in Czechoslovakia. Opportunities for sales of processed food products are viewed as almost nonexistent at this time.

ATO AND THE AGRICULTURAL COUNSELOR

The relationship between the Trade Officer and the Agricultural Counselor appears to be good. Although the ACO has delegated authority to the Trade Officer to approve Cooperator programs, both sign off on the Cooperator marketing plans for Poland.

Although there are many problems in doing so, greater emphasis should be given to longer term planning rather than just reacting to evolving situations. Increased emphasis may also be needed in developing new market development activities outside the framework of cooperator programs and in interpreting and abiding by FAS regulations.

There are other commodities that the Poles need such as hides and skins and tallow. A greater effort should be made to determine what they want and to see how we could help them obtain the commodities.

The Agricultural Counselor views the ATO as an extension of the Embassy. Commodity analysts on the Agricultural Counselor's staff provide useful information on Poland to the Trade Officer. A copy of everything that goes out from the ACO is sent to the Trade Officer. The ATO has blanket approval for travel and informs the ACO of travel plans after they are formulated.

The ideal person for the Trade Officer position needs to have a good knowledge of FAS regulations and, especially in the Polish market, of CCC credit. The person should also be fully informed on market development techniques. A person coming out of industry needs a thorough training course before being assigned to the field.

ATO AND EMBASSY OFFICIALS

U.S. Embassy officials were aware of the ATO. The DCM commented quite favorably on the operation of the ATO, the good will benefit which the ATO could help to generate between Poland and the United States, and the excellent working relationship between the Agricultural Counselor and the AT Officer.

The Administrative Officer has only recently arrived at post so was not directly familiar with ATO operations. However, he was aware of its existence, planned to visit the office soon, and assumed it was effective based on information provided him by his staff.

ATO AND THE COOPERATORS

Although no Cooperators are located in Czechoslovakia, Poland, Romania, or Hungary practically all of the market development activities of the ATO are associated with Cooperator programs. The major Cooperators in the region are traders of bulk commodities - the U.S. Feed Grains Council, American Soybean Association, Wheat Associates, the National Renderers Association, and the Holstein Fresian Association.

Based on conversations with one Cooperator contacted in Hamburg, Polish government officials, and the Agricultural Counselor, the ATO has been very effective in working with Cooperators. The ATO has been assisting Cooperators, in arranging various activities with the Poles including presentation of demonstrations and seminars, study teams to the United States, and animal feeding experiments. These activities are arranged with the Polish private sector as well as State farms.

The effectiveness of the ATO in Romania, Hungary, and Czechoslovakia is more difficult to assess since these countries were not visited by the Team. The general impression gained from the limited information available is that considerable work in conjunction with the U.S. Agricultural Attache and Cooperators is underway in Romania. Similar works are also underway in Hungary while activity in Czecholovakia is neglible. One of the constraints to expanding activities in Hungary and Czechoslovakia has been the difficulty of the U.S. Agricultural Counselor to these two countries to schedule time for the Trade Officer and government officials.

ATO AND THE TRADE

It is important to keep in mind that the ATO in Warsaw is located in an Eastern country where the purchasing of imports is controlled by the government. Consequently, the "trade" is an organization of the central government.

Officials of the organization BACUTIL, the nationwide manufacturer of animal feedstuffs, was extremely pleased with the services provided by the ATO. The ATO worked closely with Coopertors in their relationships with BACUTIL. Major Cooperators were the U.S. Feed Grains Council, the Americal Soybean Association, and the National Renderers Association. In addition, two U.S. based companies have been involved in discussions with BACUTIL, in cooperation with the ATO U.S. based agribusiness firms. Poland expects to begin importing premixed broiler feed from the United States on the basis of feeding trials conducted by one of the U.S. firms.

BACUTIL felt that the significant points to emphasize regarding the Cooperators and the independent companies, supported by the ATO, were as follows:

Availability to Poland of experts and the exchange of experiences and knowledge at the managerial level.

Seminars and symposiums delivered to Polish managers and manufacturers.

Provision for travel of study teams to the United States.

Feeding and nutrition trials and experiments using U.S. feedstuffs.

Exchange of information -- research materials, etc.

Based on the limited contacts with other countries, BACUTIL does not see how the scope of U.S.-Polish interaction would be possible without the ATO. All requests to the ATO have been answered promptly. The ATO has often taken the initiative to enter into new activities. Thousands of Polish farmers have indirectly benefitted from the services of the Cooperators, U.S. companies, and the ATO.

ROLIMPEX, the government importer of agricultural commodities, feels that establishing the ATO in Warsaw was a very positive thing to do -- it helped to expand the traditional trade between the United States and Poland.

Poland will remain an important market for the United States because of a continuing need for corn, wheat, and soybeans. Technical cooperation will remain very important with significant roles required by Cooperators, study teams to the United States, and the services of the ATO.

ROLIMPEX has received excellent cooperation from the ATO and there is currently no suggestions for improvement. The critical need at this time is to be certain of supplies of soybean, soy oil, and soymeal -- and later on corn -- from the United States under CCC credit (and PL-480). Once again, the feeding trials were mentioned and the intention to import premixed feeds was restated.

Although not a part of the trade, discussions were held with officials from the Ministry of Agriculture. It was stated that Poland intends to use more concentrated feeds in livestock production, including the import of premixed feeds.

The Vice Minister of Agriculture expressed his appreciation of the ATO for the positive help and assistance received. The ATO has served two functions -- a contact to secure the service of U.S. Cooperators and a contact for Polish interests. For example, a protocol was recently signed with the U.S. Feed Grains Council. The ATO is coordinating activities very well.

A long history of cooperation exists between Poland and the United States. PL-480 has been very beneficial. Poland needs the continued expertise and technical knowledge. The large imports of corn and soybeans from the United States provides a basis for this support.

The Vice Minister of Agriculture listed a number of "special interest" areas to the Poles. Most of the items of interest are highly technical and included the following:

Improvement of small farms to make them more productive.

Study of peanut photosynthesis.

Assimulation of nitrogen by plants.

Research on developing disease-resistent plants.

Research on disease-resistent bush beans.

Inquiry into why alfalfa seeds from California result in plant growth which provides very little forage.

The ATO Officer was asked to review the list and to see what help could be extended to the Ministery.

RECOMMENDATIONS

1. FAS/Washington needs to re-evaluate the purpose of the existence of the Trade Office in Warsaw. This is of utmost importance given the current economic climate in all four countries of responsibility. Benefits need to be expected and perhaps can be realized through the development of long range planning.

2. Because the functions of the ATO are specialized toward working with bulk commodity cooperators, care should always be exerted in selecting a Trade Officer with that type of background. The Officer should also be familiar with PL-480 and Credit programs, know the FAS regulations, and be able to adjust and work within the confines of the Eastern bloc.

3. The facilities in Warsaw are more than adequate to house the ATO and better use of space could be achieved if several cooperators were available for collocation. If Cooperators were to insist on an entrance to their offices separate from ATO, some modification of the building would be required. Consideration should be given to setting up a display area for agricultural and food commodities in the ATO.

4. Although the Trade Officer and the Agricultural Counselor in Warsaw have obviously established a good rapport, the AT Officer should keep the Agricultural Counselor fully informed of outgoing communications and of travel plans at their early stages of development.

5. Although admittedly difficult to formulate when activities are closely tied to Cooperator programs in the four countries, the AT Officer should try to develop a yearly work plan of scheduled events to insure efficient use of time. Joint discussions and planning with Cooperators and U.S. companies with activities in Poland would be essential in preparing this plan. Also essential to this longer term planning would be close coordination with the Agricultural Counselors/Attaches covering Poland, Hungary, Romania, and Czechoslovakia.

6. In addition, a 5-year plan/goal should be established in conjunction with FAS/Washington. This is of utmost importance given the economic climate of each of the countries and their inability to pay for imports.

7. The Trade Officer should attempt to institute some independent market development activities for introducing additional U.S. agricultural and food products into the four countries. Initially and in the short term, considerable caution and modest efforts should be made in this direction due to the state buying requirements, the depressed economy, and extreme shortages of hard currency, particularly in Poland.

8. FAS/Washington should insure that the Counselor/Attache for Hungary, Romania, and Czechoslovakia be advised to work closely with the Trade Officer to establish appropriate contacts in government which would be influential in the importation of U.S. agricultural products. On the other hand, the Trade Officer needs to get involved at the outset of Cooperator and other marketing activities in these three countries and work closely with and fully inform the Counselor/Attache of developments.

9. FAS/Washington may want to study and evaluate the role of the Trade Officer in working with exchange teams under OICD's Scientific and Technical Exchange Agreements. Some of the activities of these teams may be instrumental, indirectly if not directly, in affecting imports of U.S. agricultural commodities to the four countries. On the other hand, time used by the ATO staff in servicing OICD exchange teams will not be available for other activities.

RECRUITMENT

Senator COCHRAN. Are you recruiting cooperators to work in a joint enterprise effort to help market more of our products around the world, or do private sector organizations do that mostly on their own?

Mr. SMITH. As far as the organizations themselves, these are organized by various groups, but it is mostly farmers themselves through checkoffs by which they finance the operation. As far as the personnel who work for the cooperators, they do their own hiring. Of course, we work very closely with them and advise them and help them with whatever information we can give them, but basically, it is their responsibility to hire the personnel. The most recent cooperator which has come on board is the Forest Products Association. We have become quite active with them and are doing quite a bit of work, particularly in Europe and

Japan. As you know, they are quite a large group and are very interested in exports. We already have around a $4 billion export trade in forest products and are working very hard to make that a lot larger.

Senator COCHRAN. I remember meeting with some representatives of that industry in Hong Kong when I was visiting there in October. Do you, for instance, encourage cooperators to come into an area where you have located a trade office, such as Saudi Arabia, or are they already there and you are complementing them?

COLOCATION OF COOPERATORS

Mr. SMITH. If they are already there, we encourage them to come and locate in the trade office, because we think there are a lot of efficiencies that can be gained by doing that. Plus, with our own trade officers there and working closely with the cooperators, we think it is a more effective program. Where we think there are opportunities for a cooperator to establish an office, we encourage that and work very closely with them in trying to get them located. That is one of the key jobs of both the trade officer and our counselors—to make recommendations where they think an office would be effective. So we work very closely with them on those efforts.

WHEAT FLOUR DEAL WITH EGYPT

Senator COCHRAN. Mr. Tracy, or maybe this is for Mr. Smith, after this wheat flour transaction was consummated with Egypt, there has been a good deal of conferring about the impact that that may have on France or on the European Community to get them to the negotiating table in a little more serious frame of mind to do something about some of these subsidy practices that are making it tough for us in some of these markets. Have we seen any tangible results or indications that we are going to be closer to negotiating more effectively with them in Geneva on this subject?

Mr. TRACY. Mr. Chairman, we had a series of ongoing meetings with the Europeans which were set up initially by a meeting chaired by President Thorn of the European Communities Commission and George Shultz from here. We had five Cabinet officers there. We met with top level people from the Commission. Following that we have had a series of meetings with the Commission—one in January here, one in February back in Geneva. I have attended all of those. The wheat flour sale came shortly after the January meeting here. The meeting that followed in February dealt with that issue and with a number of other issues. We have not, however, had a meeting at the ministerial level since then. I think the sale was very effective in elevating this issue. It certainly got the attention of top level people in the Community. I felt we really weren't going anywhere dealing just with the agricultural people in the Community. So now, we have the attention of people like the President of the Commission and foreign ministers of the various countries. I think our prospects are better because of it.

Certainly, there has been a lot of rhetoric surrounding this. We feel that if we are going to get into some meaningful negotiations, further rhetoric is not timely. I did point out a very important thing to particularly nonagricultural leaders in the Community. That is that we have the ability to meet their competition and, if we choose to use it, we have the will to use that ability if we feel that we have been unfairly dealt with. I think we clearly feel that. They know we feel that way. I feel it is incumbent upon them to come forth with some concrete proposals that can ease the tensions between us. So, I am hopeful that things will move along. I have nothing specific to point out that is happening or coming up at this point.

U.S. POULTRY EXPORTS TO THE MIDDLE EAST

Senator COCHRAN. Do you anticipate that there will be any greater likelihood that our U.S. producers of poultry products, for instance, may be able to get back into the Middle East market, or is that market pretty well lost for a while?

Mr. TRACY. Well, it is certainly lost right now, but it is clearly one of our very important goals to gain back a share of that market. We have made that point very forcefully, and I would say poultry has been right on the top of our list in discussions with the Europeans. I think they know how we feel about it and recognize that we have been cut out of that market.

Senator COCHRAN. It seems pretty clear that that is a result of direct subsidies being made by Brazil and European Community countries; isn't that true?

Mr. TRACY. There is no question about that in the case of poultry where you have two offenders—Europe and Brazil—subsidizing into those markets. They have competed with each other and driven the price down where we can't compete at all. In other products we have been undercut, but we have lost it entirely in the Middle East. I think it is a dramatic example of the extremely negative effects that those export subsidies can have on world trade when the world's most efficient producer of poultry is cut out of the most lucrative market for that product.

Senator COCHRAN. We have just had an indication that a vote is occurring on the floor of the Senate, and I am going to have to go over there and make that vote. I have a few questions I would like to submit in writing on the Public Law 480 budget request. I notice there is an increase of $24 million in titles I and III, credit sales, requested, and I wanted to ask about that and some other Public Law 480 questions. We will submit those in writing. If you would be good enough to respond to those for the record, it would be appreciated.

[The following questions were not asked at the hearing but were submitted to the Foreign Agricultural Service for response for the record:]

FOREIGN AGRICULTURAL SERVICE

QUESTIONS SUBMITTED BY SENATOR COCHRAN

BUDGET REQUEST

Question: The Foreign Agricultural Service budget request for fiscal year 1984 is $85,217,000 -- an increase of $10.2 million over the fiscal year 1983 level, including supplementals. You are also requesting an increase of $10,000 to the limitation on representation allowances, bringing the limitation to $120,000. Please detail the program areas that will be the beneficiaries of the increase in your budget.

Answer: The total increase of $10.2 million is broken down as follows: Foreign Agricultural Affairs, $1,442,000; Foreign Market Development, $4,768,000; Foreign Market Information and Access, $548,000; and LANDSAT Data, $3,507,000. Of the total increase, $5.9 million is for non-discretionary increases and $4.3 million for increased export expansion efforts.

Question: I notice a significant increase ($8 million) in your budget category "Other Services." What expenses are incurred through that object class (#25)? Why is there such a large increase?

Answer: The object class "Other Services" includes all contractual services and reimbursements to other Agencies. This category includes all payments to Cooperators and reimbursements such as NOAA for LANDSAT Data and State Department. The large increase in 1984 is primarily the result of the increase for LANDSAT data, $3,507,000, and market development expansion of $4,317,000.

Question: In the explanatory notes, you justify your request for an increase in the representation allowance limitation by noting the "impact of overseas and domestic price increases." What are some examples of these increases? Is it correct that this increase will merely allow you to conduct the current level of activities?

Answer: The effects on inflation can be measured in the cost to the attache when hosting a reception of U.S. exporters and Ministry of Agriculture officials, or using the Independence Day celebration as a means of promoting American agricultural products. The increase requested in 1984 is intended to offset the effects of inflation, which would allow the current level of activities.

STAFFING RATIO

Question: With the moving of LANDSAT personnel from Houston to Washington, what will the new staff totals be in Washington and in the field?

Answer: After the move in 1983, the Washington permanent positions will total 542 and the field 278.

MARKET DEVELOPMENT

Question: I notice your request includes a $4.8 million increase for foreign market development activities. I am pleased to see this request, because I think it reflects recognition of the need to place more emphasis on expanding foreign markets for U.S. farm products. Can you tell me how this increase would be used?

Answer: Briefly, the increase would be used as follows: about 45 percent would be used for programs to promote oil seeds, in Europe, the Middle East, Africa, Asia and Latin America; about 28 percent would be used for promotion of feed and food grains in Asia, Africa, Latin America and the Middle East; about seven percent would be used to promote seeds in Africa and cotton and tobacco in Asia; about four percent would be used to promote U.S. forest products in Europe and Asia; about three percent would be directed toward the promotion of horticultural products in Latin America, Europe, and Asia; approximately three percent would be used for the promotion of livestock primarily in Central and South America, the Middle East and Asia; just over five percent would be used to off-set overseas inflation to cover agricultural trade office operations; slightly under two percent would be used for annualization of pay and just over two percent would be used to off-set increased domestic operating costs such as postage, communication and printing.

Question: What is your assessment of the most promising foreign markets over the next fiscal year, and beyond?

Answer: We believe that in the longer run the greatest potential for increasing sales lies in the developing countries. There are scores of countries which are moving ahead, improving their standards of living--and that means they will to an increasing extent be wanting and needing more agricultural products. However, the pace of this expansion is primarily dependent on world economic recovery. In time the demand will be there. We can perhaps accelerate that demand and work toward securing our fair market share.

Question: Other than the cooperator program, do you know of any ways of stimulating additional joint U.S.-private market development activity?

Answer: Yes, there are probably several. We are in a small way supporting other joint government/industry market development efforts. We operate a limited trade show program primarily for high value and processed agricultural products which is very popular with the trade, especially firms that are attempting to enter the export market. We also operate on a very limited scale what we call our Export Incentive Program, whereby we support the promotional efforts of a number of U.S. private firms and cooperatives. The firms participating in this program are primarily those in the fresh fruit, vegetable or wine industries.

SENATE DELEGATION TO CHINA

Question: As you are aware, I had the opportunity to lead a Senate delegation to the Peoples' Republic of China last fall. It was a most interesting and productive visit, and I want to express my appreciation to you and your staff here and in China for your assistance in preparing for the trip.

One of the purposes of our trip was to assess the performance of FAS in reporting data and in expanding markets in China. I am pleased to inform you that the delegation was most impressed with FAS officials we met and with the work FAS is doing in China. I encourage you to continue your diligence in developing the agriculture trade potential that exists with the Chinese.

Will you bring me up to date on FAS activity in China, particularly in the area of market development?

Answer: We currently have ten cooperators who have conducted or plan to conduct market development activities in China during this fiscal year. Cooperators with the most significant programs include the American Soybean Association--ASA, U.S. Feed Grains Council--USFGC, and the U.S. Wheat Associates--USWA. These three cooperators are involved primarily in the transfer of technology to China in such areas as feed and food processing and production, storage and handling of grains, and the management and feeding of swine and poultry.

In the American Embassy in Beijing we have an Agricultural Counselor, one Agricultural Officer and one secretary. In 1981, we also opened an Agricultural Trade Office where ASA, USFGC, and USWA share office space and facilities with our Agricultural Trade Officer.

Question: How much of your budget is associated with activities in China?

Answer: The Foreign Agricultural Service is contributing approximately $1.0 million toward cooperator market development activities in China this fiscal year. In addition, administrative costs associated with the Counselor office and the Agricultural Trade Office are expected to be approximately $425,380.

Question: Do you plan an increase in activity there?

Answer: We currently have plans to increase cooperator activity in China during fiscal year 1984. We also realize that market situations and opportunities can, and often do, change in the course of a year. Therefore, we maintain a flexible system which will allow us to increase or decrease our activity as changes occur.

Question: What is the current status of U.S. - China negotiations on the textile import issue?

Answer: The fifth round of the textile negotiations commenced March 11 in Beijing. The negotiations began in August 1982 and we are hopeful that a new agreement will be finalized as soon as possible. The previous three-year agreement expired December 31, 1982.

Question: What is your estimate of the impact China's decision to cease importing from the U.S. will have on sales this year? In Fiscal Year 1984? How will long-term trade relations be affected?

Answer: Due to the temporary impasse in the bilateral textile negotiations, China announced in January that they will not purchase U.S. soybeans, cotton and chemical fibers.

In addition, sales of soybeans and cotton are expected to be minimal this year due to good crops and ample supply in China.

However, China is a major market for wheat and corn. We expect China to fulfill its obligation under the four year U.S.-China Grain Agreement to purchase at least 6-8 million metric tons of U.S. wheat and corn during each of the next two years. That Agreement is running smoothly with China purchasing over 8 million metric tons in both of the first two years of the agreement.

Sales of U.S. solid wood products increased dramatically in 1982 to $229 million from $42 million in 1980. We expect growth in these sales during 1983 to $250 million providing no trade restrictions are imposed.

Textile negotiations have resumed, therefore we are hopeful that the issue will be resolved and long-term trade relations will not be affected.

AGRICULTURAL EXPORT LEVELS

Question: Recent USDA reports indicate that the forecast for U.S. agricultural exports in Fiscal Year 1983 is for $36 billion in sales. This total is down $3.1 billion from Fiscal Year 1982. How do you account for this decrease?

Answer: The value of U.S. agricultural exports in fiscal 1983 is presently estimated at $36.5 billion, up one percent from the February estimate, but still down more than $2.5 billion from the level in fiscal 1982. Large global crop supplies, slow global economic growth, a strong U.S. dollar, foreign exchange constraints in many developing nations, reduced Soviet grain imports and increased grain exports from major competitors, including the European Community, are the major factors affecting the decline in U.S. exports. Export prospects have improved recently, however, as grain prices, especially corn, continue to firm in response to tightening U.S. free stocks and lower export availabilities in the southern hemisphere.

Question: When will these estimates be reviewed? Please provide the subcommittee a report of any revision of these estimates.

Answer: These estimates are now scheduled to be updated on a monthly basis. A copy of the most recent numbers is being provided to the Subcommittee.

(Information follows:)

EXPORTS--OUTLOOK AND SITUATION SUMMARY

March 18, 1983

U.S. AGRICULTURAL EXPORT FORECAST RAISED SLIGHTLY

The value of U.S. agricultural exports in fiscal 1983 is forecast at $36.5 billion, up $500 million, or 1 percent, from last month's estimate, but 7 percent less than fiscal 1982's $39.1 billion. The forecast has been raised because of an increase in the expected value of corn and cotton exports. Export volume during fiscal 1983 is projected to decline 2 percent, while unit values may be off 4 percent from a year earlier. Large world crop supplies, a depressed global economy, a strong U.S. dollar, and intense competition from some major exporters are depressing the volume and unit value. The forecast for U.S. farm imports also has been raised slightly from the February projection to $15.5 billion, leaving a total agricultural trade balance estimated at about $21 billion, off nearly 12 percent from last year.

This month's forecast for corn exports was increased to $6.2 billion, partly reflecting higher prices than earlier expected due to continued heavy movement into the farmer-owned reserve, reduced crop prospects in the Southern Hemisphere, and expected heavy participation in the U.S. acreage reduction program. The estimate of U.S. cotton exports has been raised to 1.2 million tons, due to recent Soviet purchases. The forecast volume of rice exports, however, was lowered 4 percent due to continued slow sales and shipments, especially to Nigeria.

Stimulated by increased wheat shipments, the volume of U.S. farm exports during January 1983 rose 11 percent from year-earlier levels. Export value, however, slipped 4 percent from a year ago, but stood 8 percent above the depressed level of December 1982. Despite the improved January performance, export value for the first third of the fiscal year was down 18 percent from a year before, and the volume was off 8 percent.

U.S. AGRICULTURAL TRADE BALANCE, FISCAL 1977-83

Item	1977	1978	1979	1980	1981	1982	Forecast 1983
			-- Billion dollars --				
Exports	23.97	27.29	31.98	40.48	43.78	39.09	36.5
Imports	13.36	13.89	16.19	17.27	17.22	15.35	15.5
Trade balance	10.61	13.40	15.79	23.21	26.56	23.74	21.0
			-- Million tons --				
Export volume	111.9	131.3	137.4	163.9	162.3	158.1	154.5

Approved by the World Agricultural Outlook Board

U.S. AGRICULTURAL EXPORTS

Value by commodity

	October-January		Fiscal years		
	1982	1983	1982	1983 Forecast	
				Feb.	Mar.
	Billion dollars				
Grain and feed	6.408	4.777	17.615	16.0	16.4
Wheat & flour	2.591	1.893	7.615	6.8	6.8
Rice	.433	.225	1.149	.9	.8
Coarse grains 1/	2.654	2.132	7.051	6.7	7.1
Corn 2/	2.171	1.818	5.962	5.8	6.2
Oilseeds & products	3.771	3.353	9.730	9.1	9.1
Soybeans	2.550	2.240	6.479	5.9	5.9
Soybean cake & meal	.541	.568	1.453	1.5	1.5
Soybean oil	.135	.137	.498	.5	.5
Livestock & products	1.105	1.029	3.164	3.2	3.2
Poultry & products	.243	.166	.579	.5	.5
Dairy products	.134	.115	.372	.4	.4
Horticultural products	1.052	.950	2.851	2.7	2.7
Tobacco	.643	.675	1.486	1.5	1.5
Cotton & linters	.757	.500	2.163	1.6	1.7
Seeds	.120	.128	.296	.3	.3
Sugar & tropical products	.320	.243	.839	.7	.7
Total	14.552	11.936	39.094	36.0	36.5

Volume by commodity

			Million metric tons		
Wheat	14.871	11.560	44.607	39.5	39.5
Wheat flour	.080	.227	.886	1.5	1.5
Coarse grains 1/	21.309	20.059	58.179	59.4	59.4
Corn	17.575	17.362	49.608	52.1	52.1
Feeds & fodders	1.931	2.086	6.000	6.0	6.0
Rice	.994	.546	2.911	2.3	2.2
Soybeans	9.862	9.916	25.477	25.9	25.9
Soybean cake & meal	2.319	2.617	6.266	7.3	7.3
Soybean oil	.255	.282	.942	.9	.9
Sunflowerseed oil	.051	.029	.103	.1	.1
Sunflowerseed	.824	.693	1.542	1.5	1.5
Other oilcakes & meal	.171	.080	.289	.3	.3
Beef, pork, & variety meats	.133	.129	.398	.4	.4
Poultry meat	.130	.091	.314	.3	.3
Animal fats	.534	.492	1.497	1.4	1.4
Tobacco	.109	.111	.254	.3	.3
Cotton & linters	.502	.373	1.556	1.1	1.2
Horticultural products	1.174	.999	3.139	3.0	3.0
Other	1.509	1.681	3.742	3.3	3.3
Total	56.758	51.971	158.101	154.5	154.5

1/ Includes corn, oats, barley, sorghum, and rye. 2/ Excludes products. This release updates the Agricultural Exports summary issued on February 17, 1983. For further information, contact Stephen Milmoe (202) 447-8054 or David Young (202) 382-9054.

LANDSAT

Question: We appreciate your efforts to keep the Subcommittee posted on your negotiations with NOAA concerning the pro-rated cost of the LANDSAT Program. In the conference report accompanying H.R. 7072, the fiscal year 1983 Agriculture Appropriations bill, FAS was directed to renegotiate the LANDSAT usage contract with NOAA. I understand you have done so, and that the fiscal year 1983 cost to USDA is now set at $4.7 million, approximately $1 million more than appropriated. Further, I understand that a supplemental request for the additional amount is being prepared. When can we expect that supplemental request?

Answer: We have prepared a supplemental request for $1.0 million and expect it to be forwarded to OMB by the end of March.

Question: Will the $4.7 million fully cover USDA needs for LANDSAT use in fiscal year 1983, without the program suffering?

Answer: We do not expect any reduction in program effectiveness resulting from the reduction in the cost for the LANDSAT data.

Question: I also understand that you are also estimating that the President's request for fiscal year 1984 of $7,014,000 for LANDSAT will be adequate. Is that correct?

Answer: Based on information currently available, the amount requested for FY 1984 should be sufficient to operate FAS' crop condition assessment activities. We do not have, however, a solid estimate of NOAA's FY 1984 operating expenses for LANDSAT. They originally estimated USDA's FY 1984 cost at $9.9 million which is approximately $2.5 million above the Department's current budget request. We intend to undertake further negotiations regarding FY 1984 costs in conjunction with our FY 1985 program planning which will commence April 1.

Question: How do you derive that figure?

Answer: The figure is derived by multiplying an estimate of the number of LANDSAT scenes we will plan to utilize by the price structure developed by NOAA which takes into account all the costs in operating the spacecraft, acquiring the data, preprocessing that data, and then processing and delivery.

Question: Will FAS be able to conduct the necessary activities with this level of funding?

Answer: The level of funding requested should be sufficient unless there is a significant increase in NOAA's pricing structure. As I mentioned earlier, we still need to resolve with NOAA the difference between their initial FY 1984 estimate and the amount we have budgeted.

Question: I have heard recently of the proposed sale of U.S. weather satellites and ground stations to private interests. Is Landsat included in this proposal?

Answer: Yes, the proposed transfer of U.S. civil operational remote sensing satellites to the private sector includes both weather satellites, and the Landsat, the present land observing system.

Question: If a sale occurs, what will be the effect on USDA use and costs?

Answer: It is not possible to give a precise analysis of potential use of Landsat data by USDA prior to the actual transfer of the Landsat system to the private sector and before contractual terms are known and agreed upon. Assuming that data prices will not increase after the proposed transfer and that continuity of data will be maintained, it is likely that the volume of data used will be about the same as present usage, although a slight drop could occur as efficiencies in processing and analysis are put into effect. Cost of data, particularly if prices for data are increased markedly, would obviously have considerable impact on volume of data ordered, even though funding for data purchases remained relatively constant.

Question: What is the Department's position on this proposed sale?

Answer: The Department of Agriculture is a user of aerospace remote sensing data. As a user of data, the Department will purchase data from either a governmental agency or a private firm, provided that the data meet the Department's specifications in terms of format, timeliness, coverage, and reasonable cost.

FOREIGN AGRICULTURAL AFFAIRS BUDGET

Question: How much of your budget supports the activities of Agricultural counselors and attaches?

Answer: For FY 1984, the budget for Foreign Agricultural Affairs is $23,195,000, an increase of $1,442,000 over FY 1983 which is $21,753,000.

AGRICULTURAL COUNSELORS AND ATTACHES

Question: How many positions currently exist, and where are they assigned?

Answer: FAS currently has 282 positions overseas, including the Agricultural Trade Offices. The following table shows where these positions are assigned.

(Information follows:)

FOREIGN AGRICULTURAL SERVICE

OVERSEAS PERSONNEL
FY 1983

	Total	Americans		Foreign Nationals	
	Personnel	Professionals	Clericals	Professionals	Clericals
Argentina	5	2	-	2	1
Australia	3	1	-	1	1
Austria	3	1	1	1	-
Bahrain (ATO)	3	1	-	1	1
Bangladesh	3	1	-	1	1
Belgium (Emb)	4	1	1	1	1
Belgium (USEC)	6	4	1	-	1
Brazil:					
Brazilia	4	2	-	1	1
Rio de Janeiro	3	1	-	1	1
Sao Paulo	3	1	-	1	1
Canada	5	2	-	1	2
Chile	3	1	-	1	1
China, Peop. Rep. of:					
Beijing (Emb)	3	2	1	-	-
Beijing (ATO)	1	1	-	-	-
Colombia	4	1	-	2	1
Costa Rica	3	1	-	1	1
Denmark	4	1	-	2	1
Dominican Republic	3	1	-	1	1
Ecuador	3	1	-	1	1
Egypt	5	2	1	1	1
England:					
London (Emb)	7	3	1	1	2
London (ATO)	3	1	-	1	1
France:					
Paris (Emb)	8	3	1	2	2
East Germany	3	1	1	1	-
West Germany:					
Bonn	9	3	1	3	2
Hamburg (ATO)	3	1	-	1	1
Greece	4	1	-	2	1
Guatemala	5	2	-	1	2
Hong Kong	3	1	-	1	1
India	8	2	1	3	2
Indonesia	5	2	1	2	-
Iraq	1	-	-	1	-
Ireland	3	1	-	1	1
Israel	1	-	-	1	-
Italy:					
Rome (Emb)	7	2	1	2	2
Rome (FODAG)	1	1	-	-	-
Milan	3	1	-	2	-
Ivory Coast	3	1	-	1	1
Japan	17	5	1	5	6
Kenya	3	1	1	1	-
Korea:					
Seoul (Emb)	4	1	-	2	1
Seoul (ATO)	3	1	-	1	1
Lebanon	1	-	-	1	-
Malaysia	3	1	-	1	1
Mexico	8	3	1	1	3
Morocco	3	1	-	1	1
The Netherlands	6	2	1	2	1
New Zealand	3	1	-	1	1
Nigeria:					
Lagos (Emb)	3	1	1	1	-
Lagos (ATO)	3	1	-	1	1
Pakistan	3	1	-	1	1
Peru	4	1	-	2	1
Philippines	5	2	-	1	2
Poland:					
Warsaw (Emb)	3	1	1	1	-
Warsaw (ATO)	3	1	-	1	1
Portugal	3	1	-	1	1

	Total Personnel	Americans		Foreign Nationals	
		Professionals	Clericals	Professionals	Clericals
Romania	3	1	1	1	
Saudi Arabia (ATO)	3	1		1	1
Singapore (ATO)	3	1		1	1
South Africa	3	1		1	1
Spain	6	2		2	2
Sweden	4	1		2	1
Switzerland:					
Bern	3	1		1	1
Geneva	2	1	1		
Syria	3	1		1	1
Thailand	4	1		2	1
Tunisia (ATO)	3	1		1	1
Turkey	3	1		1	1
U.S.S.R.	4	3	1		
Uruguay	1			1	
Venezuela:					
Caracas (Emb)	4	1		1	2
Caracas (ATO)	3	1		1	1
Yugoslavia	4	1	1	2	
TOTAL	282	98	22	90	72

Question: Are there any anticipated changes in the activities of these officials?

Answer: Yes. Some shift in focus to devote more time to market opportunities for both bulk and added value agricultural products while reducing time spent on administrative support and review of market development cooperator programs and activities and dropping efforts to stay abreast of and report on a number of minor agricultural commodities.

AGRICULTURAL TRADE OFFICES

Question: Last year, you reported to the Subcommittee that six of the Agricultural Trade Offices had been evaluated. Have the other offices since been evaluated? If so, please provide the Subcommittee with the reports.

Answer: Although we do maintain ongoing assessments of the activities of each trade office, we have not undertaken major evaluations in addition to the six.

Question: The Agricultural Trade Act of 1978 authorizes up to 25 trade offices. Have there been any additional trade offices established in the last year? What are your plans for future openings?

Answer: We did not open any trade offices in 1982, but a new office will be opened in Jidda by Secretary Block on March 30. We have identified locations where we believe that additional trade offices would be useful and we would, if resources permitted, take steps to open offices in those locations.

Question: What is your estimate of the start-up and annual cost of one trade office?

Answer: The average start-up cost of a trade office ranges from $300,000 to $325,000. The average annual cost is approximately $250,000.

Question: Some of the recommendations made in evaluation reports on trade offices indicate a need for better screening and preparation of trade officers. Is this a valid recommendation, and, if so, what is FAS doing to make improvements?

Answer: Although there can always be improvement, our screening process has, we believe, been adequate. We have, however, undertaken more intensive training of the individuals selected to be agricultural trade officers and believe this will increase their effectiveness.

Question: The trade office facility in London has been criticized as being poorly suited to the needs of our officials there. Are more appropriate quarters being sought?

Answer: The trade office in London has been moved to new, modern, more spacious quarters. On September 7, 1982 the office moved to 101 Whigmore Street, in a major commercial area and just a few blocks from the Embassy.

COOPERATOR PROGRAM

Question: I have had the opportunity on several occasions to meet with cooperators representing a number of different commodity organizations. I feel they provide a valuable service in helping to expand foreign markets. The program speaks well for the concept of joint US/private sector endeavors. Is the program continuing to enjoy the success world-wide that I have seen in the Far East?

Answer: Although we do not always achieve everything that we hope to, our success in the Far East is not significantly different from that of the program anywhere else in the world.

Question: How much of the FAS budget is directed at cooperative activities?

Answer: The 1984 estimate for cooperator projects totals $29,438,000. This amount, which includes $4,317,000 for expanded activities, is 34.5 percent of the total 1984 request.

Question: How many cooperators are now active world-wide?

Answer: We currently have funding agreements with 55 cooperators.

Question: How does FAS engage new cooperators and what are you doing to engage new participants?

Answer: New cooperators are engaged in a fairly simple manner whereby potential participants are screened relative to a number of factors such as the degree to which the applicants represent U.S. agricultural commodity interests; the long range contribution to U.S. agricultural exports; the ability of the applicant to provide competent staff and other resources to insure success of project activities; etc. We are not actively recruiting new participants. Our resources, financial and particularly staffing, would not permit us to handle any sizeable increases in the number of cooperator programs.

EUROPEAN COMMUNITY COMPETITION

Question: Mr. Smith, following the recent sale of wheat, corn, and soybean oil to Egypt, you are quoted as saying the Europeans "screamed like hell," but that you feel the blended credit action was actually a "weak shot," designed more to stimulate new demand than retaliate against the EEC. Why do you think it was a "weak shot?"

Answer: Our blended credit sales have proven highly effective in encouraging foreign purchases of U.S. commodities beyond what otherwise would have been demanded. However, as a weapon in a head-to-head confrontation with the EC in foreign markets, blended credits cannot be compared with the EC's direct export subsidies in their ability to undercut offer prices of competitors. For that reason, our blended credit arrangements must be considered a "weak shot" at EC export subsidies.

Question: From the information you have received, have the Europeans indicated in any manner that they think we are serious about fairer competition policies?

Answer: The Europeans have gotten the message that the United States is serious about re-establishing the fair competitive position of American agricultural products in world markets. Clearly our actions in recent months, and particularly our wheat flour sale to Egypt, made a deep impression on them. In our bilateral discussions it is apparent that our concerns are being taken more seriously now than in many years.

Question: Are there other similar sales or actions scheduled to further emphasize the U.S. position?

Answer: We are continuing to review additional alternatives for making our exports competitive with subsidized foreign products. Each situation is being considered on its own merits and appropriate action will be taken as necessary. However, at this time, I cannot provide details on possible future U.S. export actions.

Question: You are also on record as saying that either the EC must take some corrective measures, or the U.S. will take action. Specifically, what actions by both sides do you suggest?

Answer: Our strong belief is that international rules governing export subsidies on agricultural trade need to be strengthened. The current situation where some countries heavily subsidize their exports and others, including the U.S., do not, is simply untenable. The EC has consistently refused to discuss improvements to rules in the General Agreement on Tariffs and Trade on export subsidies. A change in this stance would, in our view, be a major step forward. For our part, we must consider all options to improve the competitive position of our farm exports, including government incentives similar to those used by the EC. In other words, we may be forced to play by the same weak GATT rules that allow the EC and others to subsidize, until those rules can be improved.

Question: The Common Agricultural Policy (CAP) is arguably the cornerstone of the European Community. Do you foresee any changes in the basic direction of the CAP that will improve the position of the U.S. in the world market? What difficulties internally does the Community face in making any changes in the CAP?

Answer: We have always supported the concept of the EC's Common Agricultural Policy. What we cannot support is the unbridled incentive to produce and overproduce that results from the CAP's high domestic price supports and enormous export subsidies. There are ways of maintaining the viability of the CAP, and thus the Community itself, and still bring some discipline to the EC's production and export policies. Of course, some difficult internal adjustments will be necessary. However, we believe that within the EC there is a growing realization that the Community will face even greater internal difficulties, for instance of a budgetary nature, if no changes are made.

Question: What is FAS doing to help correct the competition inequities the U.S. is experiencing with the EEC?

Answer: FAS has taken the lead in developing a strong U.S. government position on the issue of international export subsidy rules and on the more immediate issue of dealing with particular commodity problems resulting from EC subsidies. On the latter point, FAS has taken the lead role in implementing new and innovative export credit programs. These programs have been much more helpful in creating new demand for U.S. farm products than we ever expected.

CCC EXPORT CREDIT REVOLVING FUND

Question: The Senate version of the Jobs bill includes supplemental funding for CCC. Of the $5.7 billion provided, $500 million is made available to capitalize the Export Credit Revolving Fund. If the Revolving Fund were utilized, what impact could it have on agricultural exports for the rest of Fiscal Year 1983 and for Fiscal Year 1984?

Answer: Considering the general and broad authority of CCC, and in view of the Administration's efforts to conserve budget outlays, the Revolving Fund was not funded. The recent success of the GSM-102 CCC Export Credit Guarantee Program is an indication that export activities that would have been supported by the fund can be generated with or without the fund.

Question: What is the position of FAS on the use of the Revolving Fund?

Answer: FAS believes whatever activities the fund can generate can be carried out through the broad and general authority of CCC. As such, we think of the fund as an option and not a necessary component of the budget.

P.L. 480

Question: You are requesting an increase of $24 million for P.L. 480 programs--all in Title I credit sales. However, the overall program level, including receipts and CCC funds reflects an increase of only $11 million. Is the difference a result of a projected decrease in receipts and CCC funds? If so, why is this occurring?

Answer: Yes, the FY 1984 budget request for P.L. 480 anticipates lower receipts for the Title I/III program than in FY 1983. This is due to two primary factors.

First, a portion of those receipts is generated when the Commodity Credit Corporation sells foreign currencies it owns which were received when local currency sales agreements were still authorized by the P.L. 480 Act. In the case of four countries these foreign currencies are considered "excess" to normal U.S. Government requirements and, therefore, are available for sale to other Federal agencies for use in their overseas special foreign currency programs. When these agencies receive a dollar appropriation from the Congress for these programs, they buy the necessary foreign currency from the CCC and the CCC offsets the cost of the P.L. 480 Title I/III program with the receipts from the sale of the currencies. What is presently happening is the amount of these foreign currencies is being depleted so our receipt projections are being reduced accordingly. Also, Egypt has recently been removed from the excess currency country list so a portion of these reduced local currency sales proceeds is attributable to that development.

The second factor contributing to lower receipt estimates occurs in the long-term credit repayment category. There have recently been a number of debt reschedulings by recipient countries which have included Title I debt repayment. Thus, debt repayment in the immediate term will be reduced. We have also experienced an increased incidence of arrearages in Title I debt repayment due to the foreign exchange problems many developing countries are facing. During the past year we have expressed our strong concern with these arrearages to the Title I/III recipient countries and have tied new assistance to progress in clearing up any arrearages. Some of the delinquent countries no longer receive P.L. 480 assistance, though, so we have not been successful in every case.

Question: In your budget request, you propose language to authorize a "current, indefinite appropriation" for Titles I and III. Please explain what this change would accomplish and why you propose it.

Answer: When we develop the budget for the P.L. 480 Title I/III program, the proposed program level is established first. Then, we offset that program level with an estimate of receipts to be received during the year and the remaining amount becomes the appropriation request. This activity occurs almost a full year before the beginning of the programing year, so we have to estimate receipts as best we can, but of course events can intervene which might cause that estimate to change.

Once the programing year begins, we sign Title I/III agreements with recipient countries based on the program level established by Congress and the appropriation received with the program level. This appropriation, of course, reflects the estimate of receipts made nearly a year before when the budget was developed.

The receipt situation becomes critical as the programing year progresses, agreements have been signed, and commodities purchased by recipient countries. If receipts are not received at the estimated level, we can find ourselves in a serious cash flow situation with serious legal implications. This situation is compounded by the fact that we can never be certain what the actual level of receipts is for the fiscal year until approximately six weeks after it has ended when final reports are received from Treasury.

The current indefinite appropriation is designed to assist in a situation where a shortfall in receipts occurs. To the extent that receipts are less than expected, Treasury will extend additional funding to make up for the shortfall. This will avoid any legal problems which could arise from a situation where we have obligated more dollars in the program than we eventually receive even though we have stayed within the Congressionally approved program level.

The Department has made a serious effort to improve its estimating of Title I receipts, but for the reasons cited in the previous question some of the shortfall is due to factors beyond our control and are simply not able to be predicted.

Question: You are also requesting an increase from 10 percent to 15 percent in the portion of P.L. 480 funds that can be transferred between titles. What is your justification for this proposal?

Answer: This change in the appropriation language would bring it into conformity with the authorizing legislation which provides for a 15 percent transfer of available funds. More important, though, this change would provide the Administration with greater flexibility to respond to emergency or other unanticipated situations. In some cases, a response with food assistance is more appropriate under one title of the program than under another title. By being able to transfer funds, we can provide a more appropriate response to the situation, which provides for better program management.

In addition, the ability to transfer funds allows us to assure that the minimum tonnage requirement for the Title II program can be achieved, despite increased commodity prices.

Question: Please provide for the record a listing of countries receiving exports under P.L. 480 programs in fiscal year 1982, and those anticipated in fiscal year 1983.

Answer: We shall supply for the record copies of the P.L. 480 tables included in AID's FY 1984 Congressional Presentation. These show countries receiving assistance in the years requested, as well as projections for P.L. 480 assistance in FY 1984.

(The information follows:)

FY 1984
P.L. Congressional Presentation
P.L. 480 Title I SALES PROGRAM (including Title III)
($MILLION)

Country	FY 1982 Final Sales Registered		FY 1983 Estimated		FY 1984 Proposed							
	Title I	Of Which Title III	Title I	Of Which Title III	Title I	Of Which Title III	Wheat/ Wheat Flour	Rice	Other Grains	Vegoil	Total Food	Non-Food
$ 795 or Less												
Bangladesh	63.9	(63.9)	60.0	(60.0)	65.0	(55.0)	31.0	15.0	--	9.0	55.0	10.0
Bolivia	10.0	(10.0)	18.6	(18.6)	10.0	(10.0)	10.0	--	--	--	10.0	--
Egypt	275.0	(15.0)	250.0	(15.0)	250.0	(15.0)	250.0	--	--	--	250.0	--
El Salvador	27.2		30.0		32.0		20.0	3.0	--	9.0	32.0	--
Ghana	7.0		5.0		--		--	--	--	--	--	--
Guinea	5.0		2.5		2.0		--	2.0	--	--	2.0	--
Haiti	13.0		11.0		11.0	(11.0)	8.0	--	--	3.0	11.0	--
Honduras	7.0	(7.0)	5.0	(5.0)	8.0	(5.0)	8.0	--	--	--	8.0	--
Indonesia	17.5		20.0		30.0		15.0	15.0	--	--	30.0	--
Kenya	15.0		15.0		5.0		1.0	4.0	--	--	5.0	--
Liberia	15.0		15.0		13.0		--	13.0	--	--	13.0	--
Madagascar	5.0		3.0		6.0		--	6.0	--	--	6.0	--
Niger	--		--		3.0		--	3.0	--	--	3.0	--
Pakistan	50.0		50.0		50.0		--	--	--	50.0	50.0	--
Senegal	7.0	(7.0)	7.0	(7.0)	8.0	(8.0)	1.0	7.0	--	--	8.0	--
Sierra Leone	3.0		3.0		4.0		1.0	3.0	--	--	4.0	--
Somalia	14.5		15.0		16.0	(16.0)	5.0	5.5	--	5.5	16.0	--
Sri Lanka	17.6		17.6		26.0		26.0	--	--	--	26.0	--
Sudan	25.0	(20.0)	50.0	(20.0)	50.0	(20.0)	48.0	2.0	--	--	50.0	--
Tanzania	5.0		5.0		3.0		--	1.5	1.5	--	3.0	--
Yemen	--		--		3.0		3.0	--	--	--	3.0	--
Zaire	10.0		10.0		10.0		10.0	--	--	--	10.0	--
Zambia	7.0		7.0		7.0		2.7	1.8	--	2.5	7.0	--
Subtotal	599.7	(122.9)	599.7	(125.6)	612.0	(140.0)	439.7	81.8	1.5	79.0	602.0	10.0

Country	FY 1982 Final Sales Registered		FY 1983 Estimated		FY 1984 Proposed							
	Title I	Of Which Title III	Title I	Of Which Title III	Title I	Of Which Title III	Wheat/ Wheat Flour	Rice	Other Grains	Vegoil	Total Food	Non-Food
$ 796 or More												
Congo (Brazzaville)	2.0		--		2.0		--	2.0	--	--	2.0	--
Costa Rica	18.0		20.0		20.0		15.0	--	5.0	--	20.0	--
Dominican Rep.	16.9		18.0		20.0		--	--	13.0	7.0	20.0	--
Guatemala	--		--		7.0		--	--	--	7.0	7.0	--
Jamaica	17.5		20.0		20.0		8.7	5.0	4.7	1.6	20.0	--
Mauritius	3.5		3.5		3.5		1.0	2.5	--	--	3.5	--
Morocco	35.0		25.0		25.0		20.0	--	--	5.0	25.0	--
Peru	17.0		20.0		20.0		5.0	10.0	--	5.0	20.0	--
Tunisia	10.0		10.0		10.0		10.0	--	--	--	10.0	--
Subtotal	119.9		116.5		127.5		59.7	19.5	22.7	25.6	127.5	--
COUNTRY ALLOCATIONS	719.6	(122.9)	716.2	(125.6)	739.5	(140.0)	499.4	101.3	24.2	104.6	729.5	10.0
Reserve	--		67.0		51.5 *		--	--	--	--	--	--
COMMODITY COSTS	719.6	(122.9)	783.2	(125.6)	791.0	(140.0)	--	--	--	--	--	--
Freight Differential	95.9		103.2		104.0							
Initial Payments	(-)22.9		(-)27.4		(-)23.0							
PROGRAM LEVEL	792.6		859.0		872.0							

*The $51.5 million Title I reserve will be allocated in accordance with the Foreign Assistance Act of 1961, as amended, and the Agricultural Trade Development and Assistance Act of 1954, as amended, including Section 401 of the Act.

FY 1984
P.L. Congressional Presentation
P.L. 480 Title I SALES PROGRAM (Including Title III)
(MT/MTGE)

Country	FY 1982 Final Sales Registered		FY 1983 Estimated		FY 1984 Proposed							
	Title I	Of Which Title III	Title I	Of Which Title III	Title I	Of Which Title III	Wheat/ Wheat Flour	Rice	Other Grains	Vegoil	Total Food	Non-Food
$ 795 or less												
Bangladesh	265.7	(265.7)	238.3	(238.3)	248.2	(207.9)	179.2	45.5	--	16.7	241.4	6.8
Bolivia	63.0	(63.0)	114.0	(114.0)	57.8	(57.8)	57.8	--	--	--	57.8	--
Egypt	1,515.0	(100.0)	1,462.0	(92.0)	1,409.5	(86.7)	1,409.5	--	--	--	1,409.5	--
El Salvador	145.0		182.0		141.4		115.6	9.1	--	16.7	141.4	--
Ghana	19.2		16.0		--		--	--	--	--	--	--
Guinea	18.0		8.0		6.1		--	6.1	--	--	6.1	--
Haiti	65.8		56.0		51.8	(51.8)	46.2	--	--	5.6	51.8	--
Honduras	41.0	(41.0)	34.0	(34.0)	46.2	(28.9)	46.2	--	--	--	46.2	--
Indonesia	104.0		117.0		132.2		86.7	45.5	--	--	132.2	--
Kenya	85.0		86.0		17.9		5.8	12.1	--	--	17.9	--
Liberia	50.0		45.0		39.4		--	39.4	--	--	39.4	--
Madagascar	16.0		11.0		18.2		--	18.2	--	--	18.2	--
Niger	--		--		9.1		--	9.1	--	--	9.1	--
Pakistan	110.0		101.0		92.6		--	--	--	92.6	92.6	--
Senegal	25.0	(25.0)	23.0	(23.0)	27.0	(27.0)	5.8	21.2	--	--	27.0	--
Sierra Leone	10.0		11.0		15.1		6.0	9.1	--	--	15.1	--
Somalia	49.0		46.0		50.8	(50.8)	26.9	16.7	--	7.2	50.8	--
Sri Lanka	107.0		104.0		150.3		150.3	--	--	--	150.3	--
Sudan	141.0	(116.0)	302.8	(121.0)	278.7	(115.6)	272.6	6.1	--	--	278.7	--
Tanzania	26.0		16.0		16.6		--	4.5	12.1	--	16.6	--
Yemen	--		--		16.1		16.1	--	--	--	16.1	--
Zaire	60.0		63.0		57.1		57.1	--	--	--	57.1	--
Zambia	31.4		29.0		24.4		15.6	5.5	--	3.3	24.4	--
Subtotal	2,947.1	(610.7)	3,065.1	(622.3)	2,906.5	(626.5)	2,497.4	248.1	12.1	142.1	2,899.7	6.8

Country	FY 1982 Final Sales Registered		FY 1983 Estimated		FY 1984 Proposed							
	Title I	Of Which Title III	Title I	Of Which Title III	Title I	Of Which Title III	Wheat/ Wheat Flour	Rice	Other Grains	Vegoil	Total Food	Non-Food
$ 796 or More												
Congo (Brazzaville)	7.0		--		6.1		--	6.1	--	--	6.1	--
Costa Rica	112.0		140.0		127.0		86.7	--	40.3	--	127.0	--
Dominican Rep.	89.0		134.0		117.8		--	--	104.8	13.0	117.8	--
Guatemala	--		--		13.0		--	--	--	13.0	13.0	--
Jamaica	105.1		109.0		105.7		49.6	15.2	37.9	3.0	105.7	--
Mauritius	14.0		14.0		12.9		5.3	7.6	--	---	12.9	--
Morocco	200.0		192.0		124.9		115.6	--	--	9.3	124.9	--
Peru	55.0		96.0		68.5		28.9	30.3	--	9.3	68.5	--
Tunisia	57.0		85.0		57.8		57.8	--	--	--	57.8	--
Subtotal	639.1		770.0		633.7		343.9	59.2	183.0	47.6	633.7	--
COUNTRY ALLOCATIONS	3,586.2	(610.7)	3,835.1	(622.3)	3,540.2	(626.5)	2,841.3	307.3	195.1	189.7	3,533.4	6.8
Reserve	--		243.8		170.8 *		--	--	--	--	--	--
PROGRAM LEVEL	3,586.2	(610.7)	4,078.9	(622.3)	3,711.0		--	--	--	--	--	--

*The $51.5 million Title I reserve will be allocated in accordance with the Foreign Assistance Act of 1961, as amended, and the Agricultural Trade Development and Assistance Act of 1954, as amended, including Section 401 of the Act.

FY 1984
P.L. 480 CONGRESSIONAL PRESENTATION
TITLE II
($000)

	FY 1982 Actual Program Levels				FY 1983 Estimated Program Levels				FY 1984 Proposed Program Levels			
	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G
Subtotal - Regions	468,412	300,683	128,350	39,379	381,004	271,105	96,800	13,099	333,150	239,730	85,000	8,420
(of which emergency)	(111,046)	(32,817)	(54,915)	(23,314)	(66,119)	(37,377)	(21,798)	(6,944)	(--)	(--)	(--)	(--)
Near East	53,942	30,305	20,917	2,720	38,298	24,554	13,744	--	31,593	21,389	10,204	--
(of which emergency)	(3,323)	(379)	(224)	(2,720)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Latin America	59,811	45,745	10,725	3,341	51,850	41,524	8,405	1,921	47,165	37,784	6,919	2,462
(of which emergency)	(5,761)	(--)	(3,701)	(2,060)	(5,583)	(3,622)	(231)	(1,730)	(--)	(--)	(--)	(--)
Africa	84,696	42,462	20,067	22,167	78,038	36,579	28,281	11,178	71,907	36,206	29,743	5,958
(of which emergency)	(22,325)	(1,939)	(1,958)	(18,428)	(11,116)	(823)	(5,079)	(5,214)	(--)	(--)	(--)	(--)
Asia	239,464	151,672	76,641	11,151	186,683	140,313	46,370	--	182,485	144,351	38,134	--
(of which emergency)	(49,138)	(--)	(49,032)	(106)	(23,285)	(6,797)	(16,488)	(--)	(--)	(--)	(--)	(--)
Europe	30,499	30,499	--	--	26,135	26,135	--	--	--	--	--	--
(of which emergency)	(30,499)	(30,499)	(--)	(--)	(26,135)	(26,135)	(--)	(--)	(--)	(--)	(--)	(--)
Emergency Reserve					45,793				90,823			
Stock Adjustment	(-)57,132	(-)57,132			(-)34,797	(-)34,797			(-)23,973	(-)23,973		
Transport Costs	212,700				258,000				250,000			
PROGRAM LEVEL	623,980				650,000				650,000			

Region/ Country	FY 1982 Actual Program levels				FY 1983 Estimated Program Levels				FY 1984 Proposed Program Levels			
	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G
NEAR EAST - Total	53,942	30,305	20,917	2,720	38,298	24,554	13,744		31,593	21,389	10,204	
Egypt	31,936	14,019	17,917		24,630	12,225	12,405		17,490	8,865	8,625	
Gaza	1,114	1,114			489	489			1,131	1,131		
Jordan	406	406			218	124	94		234		234	
Lebanon	2,138	379	1,759									
Morocco	13,444	10,724		2,720	9,061	8,799	262		9,799	9,496	301	
Tunisia	2,063	2,063			1,460	1,460			1,097	1,097		
Turkey	67		67									
West Bank	1,600	1,600			1,457	1,457			800	800		
Yemen Arab Rep.	1,174		1,174		983		983		1,042		1,042	
LATIN AMERICA - Total	59,811	45,745	10,725	3,341	51,850	41,524	8,405	1,921	47,165	37,784	6,919	2,462
Barbados	47		47									
Bolivia	6,403	5,858	545		8,822	8,045	777		7,543	6,170	881	492
Brazil	339		339		350		350		317		317	
Chile	2,321	2,321			959	959						
Costa Rica	1,092	894	198		226		226		38		38	
Dominican Rep.	3,120	3,120			2,293	2,293			2,818	2,818		
Ecuador	2,380	1,293	1,087		1,692	1,072	620		1,517	1,113	404	
El Salvador	7,687	2,173	3,454	2,060	4,820	1,646	1,444	1,730	5,478	1,984	1,524	1,970
Guatemala	5,617	4,308	1,309		5,268	3,857	1,411		4,478	3,590	888	
Guyana	145			145	191			191	198		198	
Haiti	9,151	7,780	1,371		8,094	7,453	641		8,210	7,376	834	
Honduras	3,091	2,719	372		3,673	3,577	96		3,199	3,080	119	
Jamaica	7		7		7		7		8		8	
Nicaragua	350		350		334		334		347		347	
Panama	1,358	1,329	29		1,316	1,171	145		932	801	131	
Paraguay	106		106		71		71		63		63	
Peru	16,597	13,950	1,511	1,136	13,689	11,451	2,238		11,928	10,852	1,076	
St. Lucia					45		45		91		91	

Region/ Country	FY 1982 Actual Program levels				FY 1983 Estimated Program Levels				FY 1984 Proposed Program levels			
	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G
AFRICA - Total	84,696	42,462	20,067	22,167	78,038	38,579	28,281	11,178	71,907	36,206	29,743	5,958
Angola	2,328		179	2,149	321		321		466		466	
Benin	956	489	467		745	363	382		803	415	388	
Botswana	3,011		2,102	909	1,867		1,867		4,303		4,303	
Burundi	2,124	1,373	751		1,848	1,385	463		1,972	1,490	482	
Cameroon	1,474	613	771	90	1,175	360	815		852		852	
Cape Verde	2,533		288	2,245	2,504		315	2,189	2,500		523	1,977
C.A.R.	238		238		171		171		145		145	
Chad	2,460	1,265	1,195		328		328		243		243	
Comoro Is.	658		658		788		788		622		622	
Congo	524		524		325		325		407		407	
Djibouti	1,722	1,722			1,473	1,473			1,138	1,138		
Eq. Guinea	304		304		319		319		241		241	
Ethiopia	2,484	2,484			2,389	2,389						
Gambia	1,098	798	300		803	470	333		1,199	720	479	
Ghana	6,342	4,511	1,831		4,785	4,311	474		4,524	3,945	579	
Guinea	75		75		172		172		206		206	
Guinea Bissau	1,665		470	1,195	480		480		518		518	
Kenya	3,100	3,100			3,507	2,866	641		4,032	3,055	977	
Lesotho	5,138	4,339	799		6,456	4,164	2,292		8,267	4,321	3,946	
Liberia	251		251		83		83		151		151	
Madagascar	6,907	911	22	5,974	1,043	1,040	3		1,113	1,113		
Malawi	118		118		123		123		183		183	
Mali	792		792		2,164		2,164		3,077		3,077	
Mauritania	3,412	1,706	281	1,425	5,125	1,581	544	3,000	5,598	1,428	1,090	3,080
Mauritius	1,698		204	1,494	773		773		484		484	
Mozambique	583		583		5,823		609	5,214	504		504	
Niger	2,134		67	2,067	744		744		794		794	
Rwanda	2,442	2,142	300		3,283	2,940	343		2,738	2,353	385	
Sao Tome	96		96		344		344		359		359	
Senegal	5,773	5,144	629		5,468	4,878	590		4,616	3,949	667	
Seychelles	289	289			272	272			317	317		
Sierra Leone	1,448	1,448			1,442	1,442			1,535	1,535		
Somalia	6,878		2,259	4,619	6,608		6,608		1,791		1,791	
Sudan	1,919	1,400	519		724		724		1,287	482	805	
Tanzania	2,576	1,711	865		2,841	1,508	1,333		3,024	1,612	1,412	
Togo	1,890	1,107	783		2,519	1,365	1,154		2,678	1,500	1,178	
Uganda	411	411			206		206		84		84	
Upper Volta	6,845	5,499	1,346		6,970	4,745	1,450	775	7,070	4,767	1,402	901
Zaire					1,027	1,027			2,066	2,066		

Region/ Country	FY 1982 Actual Program Levels				FY 1983 Estimated Program Levels				FY 1984 Proposed Program Levels			
	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G
ASIA - Total	239,464	151,672	76,641	11,151	186,683	140,313	46,370		182,485	144,351	38,134	
Bangladesh	34,070	17,672	5,353	11,045	20,739	17,086	3,653		27,816	22,589	5,227	
Bhutan	449		449		858		858		794		794	
China, P.R.	106			106								
India	123,318	112,720	10,598		119,964	106,125	13,839		123,022	105,412	17,610	
Indonesia	7,796	4,655	3,141		8,657	4,002	4,655		9,246	4,351	4,895	
Kampuchea	3,782		3,782		1,111		1,111					
Nepal	1,704		1,704		2,801		2,801		1,475		1,475	
Pakistan	50,027		50,027		18,305		18,305		7,431		7,431	
Philippines	12,580	11,018	1,562		9,993	8,874	1,119		7,778	7,341	437	
Sri Lanka	5,632	5,607	25		4,255	4,226	29		4,923	4,658	265	
EUROPE - Total	30,499	30,499			26,135	26,135						
Poland	30,499	30,499			26,135	26,135						

FY 1984
P.L. 480 CONGRESSIONAL PRESENTATION
TITLE II
(Metric Tons)

	FY 1982 Actual Program Levels				FY 1983 Estimated Program Levels				FY 1984 Proposed Program Levels			
	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G
Subtotal - Regions	1,867,712	1,087,317	585,857	194,538	1,516,392	1,027,285	420,872	68,235	1,256,700	889,763	318,123	48,814
(of which emergency)	(473,997)	(105,251)	(273,924)	(95,122)	(285,920)	(141,891)	(117,504)	(26,525)	(--)	(--)	(--)	(--)
Near East	191,898	99,607	82,520	9,771	151,676	94,716	56,960	--	115,957	77,697	38,260	--
(of which emergency)	(11,377)	(1,606)	(--)	(9,771)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Latin America	202,486	145,631	45,138	11,717	195,217	156,577	31,655	6,985	177,791	142,144	26,833	8,814
(of which emergency)	(24,995)	(--)	(17,694)	(7,301)	(21,015)	(14,036)	(704)	(6,275)	(--)	(--)	(--)	(--)
Africa	326,052	149,460	78,842	97,750	317,723	137,104	119,369	61,250	289,294	126,890	122,404	40,000
(of which emergency)	(98,185)	(9,380)	(11,055)	(77,750)	(48,769)	(3,119)	(25,400)	(20,250)	(--)	(--)	(--)	(--)
Asia	1,053,011	598,354	379,357	75,300	762,394	549,506	212,888	--	673,658	543,032	130,626	(--)
(of which emergency)	(244,175)	(--)	(244,175)	(300)	(126,754)	(35,354)	(91,400)	(--)	(--)	(--)	(--)	(--)
Europe	94,265	94,265	--	--	89,382	89,382	--	--	--	--	--	--
(of which emergency)	(94,265)	(94,265)	(--)	(--)	(89,382)	(89,382)	(--)	(--)	(--)	(--)	(--)	(--)
Emergency Reserve	--				213,573				411,662			
Stock Adjustment	(-)212,505	(-)212,505			(-)137,633	(-)137,633			(-)88,976	(-)88,976		
Transport Costs	--				--				--			
PROGRAM LEVEL	1,655,207				1,592,332				1,579,386			

(Metric Tons/Metric Ton Grain Equivalent)

	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G
Subtotal Regions	2,035,480	1,205,069	628,154	202,257	1,671,215	1,144,068	457,357	69,790	1,393,943	989,060	353,696	51,187
Emergency Reserve					216,737				417,771			
Stock Adjustment	(-)231,558				(-)148,787				(-)98,906			
PROGRAM LEVEL	1,803,922				1,739,165				1,712,808			

Region/ Country	FY 1982 Actual Program Levels				FY 1983 Estimated Program Levels				FY 1984 Proposed Program Levels			
	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G
NEAR EAST - Total	191,898	99,607	82,520	9,771	151,676	94,716	56,960		115,957	77,697	38,260	
Egypt	119,625	45,675	73,950		99,130	48,382	50,748		65,963	34,543	31,420	
Gaza	4,099	4,099			1,817	1,817			4,012	4,012		
Jordan	1,367	1,367			661	482	179		437		437	
Lebanon	5,456	1,606	3,850									
Morocco	43,907	34,136		9,771	34,948	32,572	2,376		35,518	32,772	2,746	
Tunisia	7,068	7,068			6,118	6,118			3,540	3,540		
Turkey	300		300									
West Bank	5,656	5,656			5,345	5,345			2,830	2,830		
Yemen Arab Rep.	4,420		4,420		3,657		3,657		3,657		3,657	
LATIN AMERICA - Total	202,486	145,631	45,138	11,717	195,217	156,577	31,655	6,985	177,791	142,144	26,833	8,814
Barbados	225		225									
Bolivia	21,222	19,584	1,638		33,103	30,819	2,284		28,661	24,710	2,428	1,523
Brazil	1,638		1,638		1,624		1,624		1,260		1,260	
Chile	7,919	7,919			3,942	3,942						
Costa Rica	3,430	2,735	695		714		714		150		150	
Dominican Rep.	9,926	9,926			9,170	9,170			11,299	11,299		
Ecuador	7,037	3,494	3,543		4,832	3,053	1,779		4,062	3,067	995	
El Salvador	30,200	6,510	16,389	7,301	18,802	6,650	5,877	6,275	20,712	7,464	5,957	7,291
Guatemala	19,548	13,381	6,167		22,077	15,724	6,353		18,145	14,445	3,700	
Guyana	548			548	710			710	785		785	
Haiti	32,537	26,997	5,540		32,429	30,212	2,217		31,800	28,532	3,268	
Honduras	9,127	8,287	840		12,775	12,579	196		10,911	10,670	241	
Jamaica	26		26		26		26		30		30	
Nicaragua	1,627		1,627		1,627		1,627		1,627		1,627	
Panama	4,642	4,518	124		5,042	4,372	670		4,021	3,450	571	
Paraguay	411		411		309		309		272		272	
Peru	52,423	42,280	6,275	3,868	47,862	40,056	7,806		43,726	38,507	5,219	
St. Lucia					173		173		330		330	

Region/ Country	FY 1982 Actual Program Levels				FY 1983 Estimated Program Levels				FY 1984 Proposed Program Levels			
	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G
AFRICA - Total	326,052	149,460	78,842	97,750	317,723	137,104	119,369	61,250	289,294	126,890	122,404	40,000
Angola	9,163		663	8,500	1,133		1,133		1,569		1,569	
Benin	3,179	1,687	1,492		3,151	1,633	1,518		3,492	1,890	1,602	
Botswana	6,827		4,827	2,000	5,232		5,232		13,404		13,404	
Burundi	7,595	5,003	2,592		6,459	5,001	1,458		6,762	5,003	1,759	
Cameroon	5,348	2,100	2,598	650	4,343	1,620	2,723		2,973		2,973	
Cape Verde	16,360		1,360	15,000	16,528		1,528	15,000	17,343		2,343	15,000
C.A.R.	1,160		1,160		719		719		694		694	
Chad	13,706	6,570	7,136		1,228		1,228		972		972	
Comoro Is.	2,295		2,295		2,720		2,720		1,936		1,936	
Congo	1,980		1,980		1,102		1,102		1,279		1,279	
Djibouti	5,662	5,662			4,629	4,629			3,460	3,460		
Eq. Guinea	1,040		1,040		1,027		1,027		724		724	
Ethiopia	8,172	8,172			8,173	8,173						
Gambia	3,721	2,551	1,170		3,196	1,680	1,516		4,129	2,036	2,093	
Ghana	19,646	12,453	7,193		13,606	12,633	973		12,772	11,643	1,129	
Guinea	250		250		545		545		605		605	
Guinea Bissau	5,695		1,695	4,000	1,639		1,639		1,685		1,685	
Kenya	10,454	10,454			14,040	9,730	4,310		15,325	9,730	5,595	
Lesotho	18,518	15,192	3,326		23,144	15,192	7,952		29,048	15,192	13,856	
Liberia	760		760		311		311		530		530	
Madagascar	23,277	3,248	29	20,000	3,251	3,247	4		3,247	3,247		
Malawi	390		390		425		425		616		616	
Mali	3,300		3,300		10,572		10,572		16,359		16,359	
Mauritania	17,046	6,064	982	10,000	28,356	5,569	2,787	20,000	31,159	4,776	6,383	20,000
Mauritius	5,668		668	5,000	2,909		2,909		2,068		2,068	
Mozambique	1,770		1,770		22,195		1,945	20,250	2,047		2,047	
Niger	15,261		261	15,000	3,911		3,911		4,551		4,551	
Rwanda	8,287	7,457	830		11,624	10,719	905		9,066	8,143	923	
Sao Tome	410		410		1,234		1,234		1,273		1,273	
Senegal	24,261	20,102	4,159		22,567	18,306	4,261		23,491	18,606	4,885	
Seychelles	957	957			942	942			993	993		
Sierra Leone	4,892	4,892			4,893	4,893			4,892	4,892		
Somalia	25,770		8,170	17,600	30,239		30,239		5,566		5,566	
Sudan	8,336	4,680	3,656		5,370		5,370		7,228	1,500	5,728	
Tanzania	10,534	5,719	4,815		12,091	5,245	6,846		11,882	5,273	6,609	
Togo	7,028	3,786	3,242		9,453	4,639	4,814		10,016	4,789	5,227	
Uganda	2,000	2,000			583		583		243		243	
Upper Volta	25,334	20,711	4,623		29,952	19,022	4,930	6,000	29,230	19,052	5,178	5,000
Zaire					4,231	4,231			6,665	6,665		

Region/ Country	FY 1982 Actual Program Levels				FY 1983 Estimated Program Levels				FY 1984 Proposed Program Levels			
	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G	Total	Volags	WFP	G/G
ASIA - Total	1,053,011	598,354	379,357	75,300	762,394	549,506	212,888		673,658	543,032	130,626	
Bangladesh	231,350	120,000	36,350	75,000	116,022	100,000	16,022		144,580	125,415	19,165	
Bhutan	1,665		1,665		3,299		3,299		2,888		2,888	
China, P.R.	300			300								
India	447,154	398,801	48,353		432,666	378,219	54,447		407,492	350,817	56,675	
Indonesia	31,274	20,507	10,767		37,120	18,732	18,388		33,209	15,552	17,657	
Kampuchea	10,750		10,750		1,400		1,400					
Nepal	6,689		6,689		13,789		13,789		4,844		4,844	
Pakistan	259,585		259,585		101,046		101,046		26,249		26,249	
Philippines	47,744	42,621	5,123		40,888	36,472	4,416		35,620	33,823	1,797	
Sri Lanka	16,500	16,425	75		16,164	16,083	81		18,776	17,425	1,351	
EUROPE - Total	94,265	94,265			89,382	89,382						
Poland	94,265	94,265			89,382	89,382						

Question: What effect will the PIK programs have on P.L. 480 sales?

Answer: In any given year, the volume of commodities we can export through Title I/III will be determined by the overall program level and trends in commodity prices. The PIK program will influence the Title I/III sales program through whatever impact it has on commodity prices.

Question: China has not been eligible for P.L. 480 Title I credit sales due to its "unfriendly" designation as a communist country. As a result of recent Congressional action, it is the apparent intent of Congress that a change in existing legislation is unnecessary, and that the President is free to designate China as a "friendly country" under existing law. Is a "friendly country" designation for China forthcoming? If so, when?

Answer: At present, I am not aware of any plan to formally designate China a "friendly country" in the P.L. 480 context.

Question: What impact on P.L. 480 sales would such a designation have?

Answer: Should such a designation be made, it is difficult to predict what, if any, the impact would be on the Title I program. China is an important market for U.S. farmers and we would seriously consider Chinese interest in any of our programs.

Question: A recent GAO study concluded that the "monitoring and auditing of Title II transportation activities could be improved." What is your response to those findings, and what, if anything, will be done to address these issues?

Answer: USDA feels that adequate monitoring and auditing is performed for those shipments controlled by the Ocean Transportation Division. USDA is reviewing the audit report to determine what steps, if any, should be taken by USDA to monitor and audit shipments by private forwarders.

GENERAL SALES MANAGER

Question: The request for the Office of General Sales Manager reflects an increase of $305,000 in the limitation on administrative expenses from funds transferred to the GSM from CCC, including increased pay costs. Please detail the various increased operating costs which require this increase.

Answer: The total increase of $305,000 includes $103,000 in increased pay costs in 1983 and $76,000 for annualization of pay costs and FICA increases needed to sustain performance levels for continuing programs. The remaining $126,000 is needed to offset increased operating costs such as postage, Departmental services, communications, printing, and reproduction.

QUESTIONS SUBMITTED BY SENATOR ANDREWS

SUNFLOWER OIL EXPORTS

Question: The sunflower industry, which has seen signficant growth in the last eight years in North Dakota, South Dakota, and Minnesota, has become ever more aware of the unfair trade barriers that prevent them from being competitive in the world export market. The EEC countries have a 10 percent export subsidy on import sunflower oil, and Argentina has their 10 percent export tax on sunflower oil. What efforts are being taken by the Foreign Agricultural Service to include sunflower oil on their list of commodities that are eligible for some form of export subsidy support such as interest rate buy down, P.L. 480, or the proposed export PIK program?

Answer: With respect to Public Law 480, I am not aware of any case where we have been requested by a recipient country to provide concessional financing for sunflower oil imports. There has not been any need, therefore, for the Secretary of Agriculture to make an availability determination on behalf of the commodity for P.L. 480 programing. Should such a request be received, however, we would not have any problem with considering the programing of sunflower oil in P.L. 480, provided the availability requirement were met.

The Department has not established an interest buy down program or an export PIK program for vegetable oil, so the question of participation of sunflower oil in these programs is hypothetical at this point. However, as with P.L. 480 there is no reason why sunflower oil would be prevented from participating.

The Foreign Agricultural Service is actively working with the National Sunflower Association, one of our market development cooperators, to identify and develop commercial market opportunities overseas for sunflower oil exports.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

OVERSEAS ADMINISTRATIVE SUPPORT COSTS

Question: How much of the funds provided for Foreign Agricultural Affairs is transferred to the Department of State for overseas administrative support, housing and related costs, etc.?

Answer: In 1984, the reimbursement to the Department of State is estimated at $2,840,000 for administrative support costs. The 1984 estimate includes a 7.5 percent increase to offset the effects of overseas inflation.

Question: What percentage of the increase requested will be passed through to the State Department?

Answer: Of the $10.2 million increase in 1984, only $200,000 is requested for the State Department. This increase represents just under two percent of the total increase requested.

FOREIGN MARKET DEVELOPMENT INCREASE

Question: Significant increases are requested for foreign market development activities. Will all of these increases be matched by increased contributions from private sources?

Answer: The $4.3 million included in our FY 1984 budget request for cooperator market development activities will generate an additional $9.2 million in contributions from U.S. Cooperators and foreign third parties. In FY 1982, for example, the total cost of the joint FAS-Cooperator market development program of $76.2 million was financed as follows: 27 percent by FAS, 34 percent by U.S. Cooperators, and 39 percent by third parties.

CONSTRUCTION OF FACILITIES IN FOREIGN COUNTRIES

Question: Will any of the increased funds for market development be utilized for the construction of facilities in foreign countries? If so, how much and in what countries?

Answer: In an effort to initate the modernization of the Chinese feed industry, we plan to use about five percent of the requested increase to begin installation of modern high-tech equipment in a new pilot feed mill being built in China. A similar investment in equipment installation will be required to complete the mill in FY 1985.

NEGOTIATIONS ON LANDSAT

Question: What has been the result of negotiations between NOAA and FAS on the cost of LANDSAT data?

Answer: We concluded our negotiations with NOAA on February 25, 1983. As a result of those negotiations, we were able to reduce the Department's cost for LANDSAT data by 37 percent--from $7.4 million to $4.7 million. The FAS portion is $4.5 million or $1.0 million more than the amount appropriated. We will be submitting a supplemental to make up the difference.

FAS STAFFING

Question: I note that even with the increase requested, the number of staff years at overseas locations will remain the same and the level of staff in Washington will increase by five. Why is the domestic staff increasing while the overseas staff is remaining the same?

Answer: The increase in domestic staff would provide the staffing support necessary for an aggressive market development effort for forest products. This staff increase, along with the FAS/forest products industry cooperator program, could increase by substantially more than two-fold the level of exports by the end of the eighties. The increase in staffing will provide the marketing and analytical specialization that is the strength of the FAS role in the cooperator program. Briefly the staffing plan calls for the development of specialists for hardwoods and softwoods with responsibility for different parts of the world.

PROGRAM PLANNNING AND ANALYSIS

Question: Mr. Smith, your statement indicates that the increased funding requested and the targeting of those funds for market development is based on comprehensive planning and on cost-benefit ratios. Did any of the analysis reveal areas where we are not getting our money back on the investment we are making, and are any efforts being discontinued as a result of this planning and analysis?

Answer: The analysis revealed an array of expected returns from proposed expenditures, although all of the proposed expenditures would be expected to result in a positive return, the analysis indicated that some of the proposed activities have a significantly higher pay back expectation than others. As a result, we have shifted nearly fifteen percent of our cooperator funding to activities which were, as a result of the analysis, determined to higher priority programs.

DIRECT EXPORT CREDIT

Question: Does the Administration support deletion in fiscal year 1983 of language contained in the FY 1983 Agriculture Appropriations bill which limits the amount of direct export credit that may be made available in that fiscal year?

Answer: We do support the deletion of the direct loan language contained in the FY 1983 Agriculture Appropriations bill. The Secretary of Agriculture has authority under the CCC Charter Act to use CCC borrowing authority at his discretion without specific appropriation language. We do not believe a level of direct credit should be mandated. Rather the Secretary of Agriculture should have the flexibility to use direct credit as the export situation warrants. The FY 1984 CCC budget does include an estimate of $175 million for direct credit.

GENERAL SALES MANAGER

Question: It has recently been brought to my attention that even though soy oil has consistently been one of the most requested products for financing under Title I/III of P.L. 480, it has traditionally received a small share of the financial assistance. Have vegetable oils, and soy oil particularly, been requested by countries in greater volumes than we have provided financing for?

Answer: As a general rule, in any given year we receive requests for Title I/III assistance that exceed the level of commodity financing available. We must, therefore, turn down some requests due to budgetary constraints; and on some occasions this may include requests for vegetable oil. There are, however, other reasons why requests for Title I/III assistance may be rejected. If we determine that Title I/III concessional sales will replace commercial sales of vegetable oil, we cannot agree to the request. Also, if the recipient country desires to continue exporting vegetable oil even though it receives Title I/III assistance, we may decide not to agree to the request.

The percentage of financing for any particular commodity in the Title I/III program in any given year will vary with conditions here in the United States, as well as in the recipient countries. The percentage of Title I/III financing for vegetable oil has increased in recent years, beginning in FY 1979 when it was approximately 5 percent of total commodity financing provided. By FY 1981, this had increased to 10 percent, and in FY 1983 vegetable oil as a percentage of total commodity financing could be as high as 14 percent. Most of this vegetable oil has been soybean oil.

Question: How do you determine what requests will be financed and which will not?

Answer: Countries considered for Title I/III financing must meet certain legislative requirements as provided for in Public Law 480 itself. They must be considered friendly to the United States and must demonstrate a genuine need for food assistance based on production, consumption, and import data. We are also required to provide at least 75 percent of the food commodities to countries below the poverty criterion for International Development Association financing, presently $795 per capita gross national product.

Beyond these fundamental legal requirements, USDA considers the potential for long-term market development in the particular country requesting the assistance. We are also concerned with the domestic commodity situation here in the United States, and we must be assured that this assistance will not displace expected commercial sales and that export limitations will be observed.

Allocation decisions are made by an interagency committee, the Food Aid Subcommittee. So, the other member agencies of the Subcommittee will also have a role in determining whether or not requests for Title I/III assistance will be granted. For example, the State Department will be concerned with the foreign policy implications of the assistance, while AID will review the country's previous economic development performance.

Every country situation and request is unique, so in one case some of these factors will weigh more heavily than in another case. But, as you can see, making these allocation decisions is quite a complicated process.

Question: How are funding allocations between commodities decided upon?

Answer: When FAS develops its budget recommendations for the P.L. 480 program and submits it to the Department for consideration, it begins by undertaking country assessments of market development opportunities overseas. In doing these assessments, market development recommendations are received from our market development cooperators and our commodity marketing specialists within FAS. These country by country assessments form the basis on which the budget recommendation is developed, including the commodity composition of that budget.

During the course of any programming year, the commodity composition may be adjusted to reflect changing commodity conditions in the United States as well as conditions overseas in the recipient countries themselves. Other factors we consider in determining the commodity composition of the programs include Federal outlays for domestic price support programs, the value added component of the commodity, and long-term trends in commercial trade, including those trends for competitor exporting countries.

EXCHANGE PROGRAM

Senator COCHRAN. Before I do go, I would like to ask Dr. Wallace about the scientific and technical exchanges you described. Mr. Tracy mentioned them in his opening presentation. I am anxious to see us implement a scholarship program which would provide opportunities for a greater number of foreign students and people involved in agricultural education and scientific research, to be exposed to our universities and our land-grant universities, and take back with them valuable information, as well as an attitude of friendliness. We hope, that this type of program will help us economically in the future and make a contribution toward an environment for peace in the world. I think it is very important that we take advantage of this opportunity. I know your staff has been very helpful in discussing with us the possibility of implementing such a program. I understand that $4.7 million would provide education and training to about 125 persons in an initial startup of a program like this. Do I have those numbers right? Is that the estimate that your office makes about a modest program that we could implement?

TRAINING FOR STUDENTS FROM MIDDLE-INCOME COUNTRIES

Dr. WALLACE. Yes; the proposal covers more than 1 year. However, the $4.7 million would train 125 participants over a 2½-year period. This plan is not part of our 1984 budget. We have been concerned particularly about the AID graduate or so-called transitional countries and the middle-income countries that do not have the money to provide funds for students to come here.

Senator COCHRAN. If we put some money in the budget and identify it for that purpose, would there be any obstruction to implementing that?

Dr. WALLACE. I believe we have the infrastructure to implement the program. We would need some additional staff resources, however.

Senator COCHRAN. Is there any question that you know of about the legal authority to do that? I wonder about whether you need legislation, as well as an appropriation. I think we discussed that last year, and we thought that if we just appropriated the money and indicated what it was to be used for, you could go ahead and carry through with the program.

Dr. WALLACE. We do have the legal authority. That legal authority comes from section 1458 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended (7 U.S.C. 3291).

Senator COCHRAN. We are going to discuss that in the committee. I know this is a time of budget constraints and not a good time to start up a new program, but this, I think, is an expansion of an existing effort we are making. We have always been aware of the importance of such activity. I think there is a definite correlation between that kind of investment and long-term trade benefits and the like.

Dr. WALLACE. We just secured an article in the Chronicle of Higher Education which says Russia has quadrupled its efforts to bring in Third World students for political reasons as well as trade reasons. They, in fact, outshine the United States.

Senator COCHRAN. I think this is happening; I surely do, and also it is happening in European countries as well.

I appreciate so much all of your being here.

Let me say, Mr. Sims, you haven't been overlooked. I notice you have an additional $350,000 in your request this year over and above last year. What are you going to do with all that money?

GENERAL SALES MANAGER

Mr. SIMS. My statement was included in Mr. Smith's statement, so I do not feel overlooked.

We intend to work very diligently at expanding export markets throughout the world. I would just briefly like to comment on the blended credit program that has been mentioned before. It is widely regarded as one of our more successful programs by farmers, by the agribusiness trade, by international importers, and even by taxpayers who understand it, because it is cost effective. It has expanded our markets, many of which are sales that would not have occurred without the benefit of this program.

Senator COCHRAN. Well, I think it is certainly an important program, too, and I hope we continue to enjoy success with it. We do have to continue to expand these markets. That is going to be the salvation of our agricultural economy.

Thank you very much for being here. You have contributed a great deal to our hearings.

[The following questions were not asked at the hearing but were submitted to the Office of International Cooperation and Development for response for the record:]

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

QUESTIONS SUBMITTED BY SENATOR COCHRAN

CARIBBEAN BASIN INITIATIVE BUDGET REQUEST

Your budget request reflects a decrease of $107,000 from the fiscal year 1983 level. Of the $4,016,000 requested, $500,000 is proposed for activities in concert with the President's Caribbean Basin Initiative.

Question: How will these funds be used?

Answer: In response to President Reagan's CBI, $500,000 is sought to promote the agricultural development of the region. Specific agricultural modernization activities that would take place include:

° Tropical Research ($150,000) -- Upgrade facilities and research staff of ARS operated Tropical Agricultural Research Station at Mayaguez, Puerto Rico.

° Promoting Agro-Industrial Investment ($146,000) -- Establish an Agribusiness Investment Information Center within OICD to provide technical information to firms interested in investing in the region. Provide staff support to the Agribusiness Promotion Council's activities which directly promote private investment in the Caribbean Basin. Participate with other U.S. agencies in organizing and supporting private investment missions and providing follow-up services to potential U.S. investors.

° Agricultural Training ($115,000) -- Provide training to Caribbean Basin plant protection and quarantine officials (APHIS). Train Caribbean meat and poultry inspectors and veterinarians to produce and market wholesome meat and poultry (FSIS). Train Caribbean graders and inspectors in maintaining quality control for various agricultural products (AMS). Provide training on agricultural research management in the region with the objective of more effectively managing agricultural research policies, programs, projects and resources (OICD).

° Technical Assistance ($50,000) -- Provide on-site technical assistance in establishing quality control procedures in grading and packaging products and in development of product standards (AMS). Drawing upon expertise of ERS, SRS, AMS and FS, USDA will provide limited technical assistance to establish simple, efficient procedures for collecting objective and reliable agricultural economic information, improving methods of editing and compilation, and analyzing the information and disseminating it to public officials and private businessmen.

° CBI Coordination ($39,000) -- OICD will provide overall coordination for USDA's agricultural development activities in the Caribbean Basin including liaison with other U.S. agencies and international organizations.

Question: How will the CBI $500,000 supplemental request for fiscal year 1983 be used?

Answer: The funds will be used in FY 1983 to commence the programs that will continue in FY 1984. A continuation of the specific areas outlined for the program is required for the following program related reasons:

- ° to address on-going problems that will not be solved in a single year such as the establishment of marketing standards in the Caribbean nations.
- ° to continue to promote USDA interest in increasing investment and trade opportunities through the Secretary's Agricultural Promotion Council and OICD's information desk.
- ° to support the USDA focus on tropical research which is a long-term USDA program related to the Caribbean Basin.
- ° to continue to support programs that contribute to the goal of an agricultural disease free Caribbean Basin.

SCIENTIFIC AND TECHNICAL EXCHANGES

As you are aware, I am very interested in agricultural exchanges, which I feel are beneficial to foreign countries as well as to the United States. I appreciate your assistance in providing my staff with information on how a scholarship program could be implemented for middle income countries that are ineligible for AID assistance. I understand that $4.7 million would provide education and training to 125 persons.

Question: Is this a correct estimate?

Answer: The plan that we provided covers the cost of training participants from middle income countries over a 2 1/2 year period. The estimated cost of $4.7 million is not an annual estimate, but rather a multi-year estimate. If funding in the amount of $4.7 million was available annually, we would be able to train approximately 255 participants. The original plan provides non-academic training for 50 students and academic training leading to advanced degrees for 75 students.

Non-academic programs provide concentrated short-term on-the-job, observational, or consultation activities designed to provide practical skills in specific subject matter areas. These programs generally average three months in duration and are used to upgrade skills of people who have received previous academic training. We anticipate that management and agricultural policy training will be major topics of interest since many technically trained people move into managerial positions without requisite skills to function effectively.

Academic programs are designed to lead to Master's and/or Ph.D. degrees in such areas as animal science, agronomy, forestry, agricultural economics, human resource development, ag extension, or other subjects important to rural development. On the average, it takes two and one-half calendar years to complete the requirements for academic degrees depending on the student's previous academic background and command of the English language.

The mix between short-term non-academic training and long-term academic training is designed to provide skills needed to solve specific problems or provide expertise in areas crucial to continued development of the country. At the same time, the mix is designed to maximize potential benefits to the U.S. through creation of good will and political and trade relationships. While there should be flexibility to adjust the specific mix to attain the goals of the country and the U.S., it is felt that the 75 academic to 50 non-academic ratio is probably a realistic expectation based on types of programs currently identified.

In-depth studies at the M.S. and Ph.D. levels continue to be a prime need, but previously trained people or those in policymaking positions find it most advantageous to take short-term practical training to upgrade skills. In each case, specific needs of the trainee as well as the U.S. will be taken into account by subject matter training specialists who will then individually tailor programs to meet those needs and objectives. OICD training specialists develop training programs combining academic work, on-the-job experience, and participation in professional meetings.

Resources from the entire U.S. agricultural community are utilized to provide training--universities, private enterprise, farmers, government agencies, and others. Locations chosen for training are determined by such factors as subject matter desired, climatic conditions, and reputation. Mississippi State would be immediately considered for someone interested in seed technology, for example, because of their long-standing work and recognized expertise in this area. Both Wisconsin and Missouri have excellent reputations in extension methodology, and their years of experience with international programs make them especially suitable for helping trainees from other nations adapt principles and techniques to their home situations. Nebraska has much to offer in sorghum, while Kansas is well known for grain storage expertise. Likewise, the southwest is a prime target for programs concerned with dryland agriculture. Throughout the program, the training specialist arranges and monitors the various activities to ensure quality and accomplishment of objectives.

The following exhibit is provided in order to gain a better understanding of the cost components associated with this training plan.

ESTIMATED COSTS OF MIDDLE INCOME COUNTRY TRAINING

125 Participants over a 2½ year period
($000)

Cost Component:	1st YEAR	2nd YEAR	3rd YEAR (6 months)	TOTAL
Academic Scholarships for 75 Students:				
Tuition @ $11,700.00 per year...............	$ 878	$ 878	$ 439	$2,195
Maintenance Allowance @ $610.00 per month......	549	549	275	1,373
Round Trip Air Fare @ $2,000.00 each.......	150	--	--	150
Sub-Total Academic.....	1,579	1,427	714	3,718
Non-Academic Scholarships:				
Number of Students 1st year... 20 2nd year... 20 3rd year... 10				
Training Fees @ $2,500.00 per month....	150	150	75	375
Maintenance Allowance @ $850.00 per month......	51	51	26	128
Round Trip Air Fare @ $2,000.00 each.......	40	40	20	100
Sub-Total Non-Academic.	241	241	121	603
Program Administration:				
(3 Staff Years are required to support 125 students)				
Salaries @ $28,308.00 Average GS rate........	85	85	85	255
Benefits @ 11% of Salaries...............	9	9	9	27
Administrative support @ $5,600.00 per staff year	17	17	17	51
Sub-total Administration	111	111	111	333
TOTAL COST PER YEAR......	$1,929	$1,779	$946	$4,654

Question: How many persons could be trained for half that amount?

Answer: The following exhibit displays the numbers of students that could be trained at funding increments of $500,000 and the staff years required to administer the various levels:

NUMBERS OF STUDENTS TRAINED BASED ON INCREMENTS OF ANNUAL FUNDING

Dollar Level ($000)	Academic Students	Non-Academic Students	Total	Staff Years Required
$4,700	178	77	255	6.1
4,000	151	70	221	5.3
3,500	132	65	197	4.7
3,000	113	60	173	4.1
2,500	94	55	149	3.6
2,000	75	50	125	3.0
1,500	56	45	101	2.4
1,000	37	40	77	1.9

As the exhibit indicates, at an annual funding level of $4.7 million we could train a total of 255 students. At half that amount, or approximately $2.5 million annually, 149 students could be trained.

Question: If funds were provided for such a program in your fiscal year 1984 budget, when could program activities commence?

Answer: Essentially, the program activities could begin as soon as funds are approved. Participants could be identified and in the U.S. as soon as three months after funding is received. Because we have some 30 years of experience in developing and implementing training activities, a basic mechanism is already in place for carrying out such a program. There would be a need, however, to develop special recruitment processes and implementation policies and procedures because of the level of the trainees anticipated and the unique objectives of this activity.

Question: If funds were provided, would there be any obstacle to implementation of a program?

Answer: Assuming that the required staff years needed to administer this program are made available, I see no obstacle to program implementation. Section 1458 of the National Agricultural Research Extension and Teaching Policy Act of 1977, as amended (7 U.S.C. 3291), authorizes the Secretary of Agriculture to work with middle income countries on food agricultural and related research and extension, including the training of persons from such countries.

Question: How many scientific and technical exchanges did OICD sponsor in fiscal year 1982 and in the current fiscal year? How many are projected for fiscal year 1984?

Answer: In fiscal year 1982, OICD sponsored 124 scientific and technical exchanges involving 318 U.S. and foreign scientists working in 23 different countries. For both fiscal years 1983 and 1984, the current projections are for approximately 130 exchanges to be performed in the same 23 countries.

Question: Would you please provide an assessment of OICD activities in developing countries, including a list of activities by country?

Answer: The work of OICD complements the role of FAS in promoting trade as well as helping developing and middle income countries to improve their agriculture and economies. The poorest countries are not good customers for U.S. food. But as the economy of a developing nation grows, so do the capabilities and the expectations of its people.

Studies by ERS, the World Bank, and others clearly show that as a nation's economy strengthens and its foreign exchange earnings increase, almost invariably a major priority is food: more food, better food, and greater food security. In other words, there is greater demand for imports of agricultural goods that the U.S. can supply.

A number of countries that have received U.S. food and development assistance are now strong commercial markets; South Korea, Egypt, Mexico and India are examples. During the 1970's, developing countries became boom markets for U.S. agricultural exports and the potential for future growth is significant. The competition for these markets is growing and the presence or absence of development assistance plays a role in the decision made by buyers in these countries. Some of our competitors in world markets have implicitly tied agricultural assistance to their efforts to secure sales of commercial food exports. It is clear that the United States must find ways to counter this.

OICD is working in this area. Through the combination of development assistance, scientific exchanges and international research, OICD continues to make a significant contribution to the improvement of domestic agricultural production and increased agricultural exports.

The following exhibit displays the activity associated with OICD programs in 112 countries around the world.

ACTIVITIES BY COUNTRY

COUNTRY	Intern'l Training	Tech. Assist.	Scientific Exchanges	Intern'l Research
Africa:				
Botswana	X	X		
Burundi	X	X		
Cameroon	X	X		
Cape Verde	X	X		
Chad	X			
Congo	X			
Djibouti	X	X		
Ethiopia	X	X		
Gambia	X	X		
Ghana	X	X		

COUNTRY	Intern'l Training	Tech. Assist.	Scientific Exchanges	Intern'l Research
Africa (con't):				
Guinea-Bissau	X	X		
Guinea	X	X		
Ivory Coast	X	X		
Kenya	X	X		
Lesotho	X	X		
Liberia	X	X		
Libya	X			
Malawi	X	X		
Mali	X	X		
Mauritania	X	X		
Morocco	X	X		X
Niger	X	X		
Nigeria	X	X	X	X
Rwanda	X	X		
Senegal	X	X		
Sierra Leone	X	X		
Somalia	X	X		
Sudan	X	X		
Swaziland	X	X		
Tanzania	X	X		
Togo	X	X		
Tunisia	X	X		X
Uganda	X	X		
Upper Volta	X	X		
Zaire	X	X		
Zambia	X			
Zimbabwe	X	X	X	
East Asia:				
Australia		X	X	X
Burma	X			X
China, People's Republic of	X	X	X	X
China, Republic of (Taiwan)	X	X		
Fiji		X		
Indonesia	X	X	X	
Japan	X		X	X
Korea, Republic of	X		X	
Malaysia	X	X		
New Guinea	X			
New Zealand			X	X
Philippines	X	X		
Samoa	X			
Singapore		X		
Thailand	X	X		
Latin America & Caribbean:				
Antigua	X			
Argentina	X			
Barbados	X			
Belize	X	X		
Bolivia	X	X		
Brazil	X	X	X	X
Chile	X	X	X	
Columbia		X	X	X

COUNTRY	Intern'l Training	Tech. Assist.	Scientific Exchanges	Intern'l Research
Latin America & Caribbean (con't):				
Costa Rica	X	X		
Dominican Republic	X	X		
Ecuador		X		
El Salvador	X			
Cuba	X			
Grenada	X			
Guatemala		X		
Guyana	X	X		
Haiti	X	X		
Honduras	X	X		
Jamaica	X	X		
Mexico	X	X	X	X
Montserrat	X			
Nicaragua	X			
Panama	X	X		
Paraguay	X	X		
Peru	X	X	X	X
St. Lucia	X	X		
Trinidad	X	X		
St. Kitts	X			
St. Vincent	X			
Venezuela		X	X	
Near East & South Asia:				
Bahrain	X			
Bangladesh	X	X		
Bhutan	X			
Cyprus	X			
Egypt	X	X		X
Greece	X	X		
India	X	X	X	X
Iraq	X			
Israel	X			X
Jordan	X	X		
Kuwait	X	X		
Lebanon	X			
Nepal	X	X		
Pakistan	X	X		X
Saudi Arabia	X	X		
Sri Lanka	X	X		
Syria	X	X		
Yemen	X			
Europe:				
Bulgaria		X	X	
France			X	X
Hungary			X	
Italy			X	X
Netherlands		X	X	
Poland	X			X
Portugal	X	X		
Romania	X		X	
Spain				X
U.S.S.R.			X	
West Germany			X	X
Yugoslavia				X

SCIENTIFIC ACTIVITIES OVERSEAS (FOREIGN CURRENCY RESEARCH PROGRAM)

Question: I understand you have a supplemental request for fiscal year 1983 of $3.2 million for "Scientific Activities Overseas" -- the Foreign Currency Research Program. Your request indicates this additional funding will support agricultural research programs in India, Pakistan, Poland, or Burma.

Why were these 4 countries chosen and how will the funds be allocated and spent?

Answer: India, Pakistan, Poland and Burma were chosen because USDA uses foreign currencies from these countries that the Treasury Department has determined to be excess to U.S. Government needs. The funding supports agricultural and forestry research on problems of mutual interest to the United States and these participating foreign countries.

The request for $3,172,000 equivalent in foreign currencies will be allocated and spent in the following manner:

-- $500,000 equivalent will be used for the translation of books and scientific articles into English. These materials review new developments in foreign laboratories for use by U.S. agricultural and veterinary specialists.

-- Approximately $1,424,000 in equivalent excess foreign currencies represents the additional amounts needed to maintain research programs in India and Pakistan. The research proposals identified for funding under this supplemental were selected from over 200 priority proposals held in back-log pending the availability of funds. The specific research proposals are as follows:

-- IN-FS-94. In vitro multiplication of selected softwood timbers.
Himachal Agricultural University, Mushobra, Simla.
$75,000 equivalent.
Tissue culture of softwood timbers such as pine, spruce and fir trees is of high priority to the foresters. This program will result in having available full-fledged young plants of superior quality timber trees produced on a mass scale which will be used extensively for forestation programs. This type of plant will be free of diseases and other undesirable features.

-- IN-FS-95. Improvement of angiospermous forest trees through tissue culture.
Department of Botany, University of Delhi, New Delhi.
$204,000 equivalent.
The current practice in propagating forest trees depends on selecting the most promising trees in the natural stands. This project will provide for selection of the best trees by tissue culture techniques whereby superior forest trees are developed from clonal propagated plants. The forester will benefit from this type of research by being able to establish trees which are disease-free and come from improved stock.

-- PK-ARS-141. Survey and ecological studies of scale insects and their natural enemies found on citrus in Pakistan.

Commonwealth Institute of Biological Control, Rawalpindi. $63,000 equivalent.

Citrus insects such as scale insects are universal and cause millions of dollars loss annually to the citrus growers. This research will identify new parasites of scale insects and will make it possible for these parasites to be introduced to the citrus-growing areas of the world. Biological control measures then can be taken to reduce populations of scale insects without harm to the environment.

-- IN-SEA-177. Investigations on new chitin-synthesis inhibitors with special reference to their mode of action and effect on insect reproduction.

University of Rajasthan, Jaipur. $36,000 equivalent.

Normal growth of insects will be affected by altering the chitin (body exoskeleton of insects), which will inhibit or prevent proper growth to the adult stage. This research will determine how to block synthesis of chitin in insects so that new approaches are available for insect control that will have no negative environmental impact.

-- IN-ARS-196. Maximization of the production of biocide factors from Bacillus species by a combination of physiological and recombinant DNA studies.

Madurai Kamaraj University, Madurai. $106,000 equivalent.

This program is to develop new insecticides from bacteria pathogenic to Lepidoptera spp. insects such as corn earworm. Using gene transfer, bacteria will be induced to produce protein toxins which can control crop pests.

-- IN-ARS-198. Design and development of threshers for pigeon peas.

University of Agricultural Sciences, Bangalore. $48,000 equivalent.

This research will test and evaluate existing models of legume threshing equipment and record their performance. Based upon the findings, design improvement and development of a new thresher will be made. The new thresher will be of considerable value to the farmer in cost savings by providing more rapid and less wasteful threshing of pulses such as peanuts, peas, and pigeon peas.

-- IN-ARS-200. Mathematical simulation of basinwide groundwater salinization.

Punjab Agricultural University, Ludhiana, Punjab. $77,000 equivalent.

This study proposes to monitor the movement of water and salts through the soil profile and estimate their net flow to the water table developing water and salt balance in the different levels of underground rock, sand and other watercontaining layers. The results will provide valuable information to the farmer as to how to predict the salt content of various layers of the water table and what to do to increase or decrease the salt for improvement of plant growth.

-- IN-FS-81. Effect of fertilizer application on seed production of *Tectona grandis*, *Pinus caribaea*, and *Pinus patula*.
Forest Research Institute & Colleges, Dehra Dun.
$94,000 equivalent.
This research program proposes to develop information on the effect of fertilizer treatments in varying doses of nitrogen, phosphorus and potassium on flowering, fruiting and seed production of forest trees. Seed quality will be analyzed during phase changes for greater seed production and vitality. Foresters will be able to produce superior trees and develop large-scale forests as a result of the outcome of this research work.

-- PK-AR-181. Biological control of some important Coccoidea infesting economic plants in Pakistan.
Commonwealth Institute of Biological Control, Rawalpindi. $100,000 equivalent.
This research will develop biological control methods for scale insects and mealybugs which cause fruit drop and drying of leaves in fruit crops such as citrus, apple, plum, and grape. Substantial benefits and savings will result to the fruit farmer by using new insect parasites identified by this project. Furthermore, there will be no problem with contamination of the environment since only natural enemies will be used for control of the scale insects.

-- PK-ARS-105. Survey and studies on the resistance in insects against pesticides.
Pakistan Council of Scientific and Industrial Research, Karachi. $52,000 equivalent.
The use of certain chemical insecticides has caused body chemical changes in insects. These changes have led to natural, body defense-mechanism buildup, which resists chemical insecticides. This research will locate and assess levels of resistance through biochemical studies. The farmer will benefit from the results of these studies by being able to use approved chemical insecticides which minimize the insect resistance problem and kill the insect.

-- PK-ARS-188. Studies on the blight and wilt diseases of gram.
Pakistan Agricultural Research Council, Islamabad.
$99,000 equivalent.
This research will screen chickpea (gram) germplasm for resistance to blight and wilt diseases. Fungicides will be tested as seed and foliar treatments under greenhouse and field conditions. The outcome of these experiments will provide valuable information as to fungicide effectiveness and provide a source for disease-resistant chickpeas.

-- IN-ARS-108. Imparting soft and pliable feel to end-products from Indian wools.
Wool Research Association, Bombay. $31,000 equivalent.
This research will analyze coarse Indian wool to find out what properties make the wool coarse. Wool fibers will be tested and treated in the laboratory to develop softer wool products which prevent skin irritation.

-- IN-ARS-138. Conversion of saponins to important pharmaceutical intermediates by some medicinal plants.
University of Rajasthan, Jaipur. $100,000 equivalent.
The development of an economically sound fermentation process for converting saponins in plants such as yucca and agave to progesterone and other steroidal hormones would mean independence from foreign imports as well as increased cultivation of yucca and agave in areas otherwise lost to agriculture. This research will study the metabolism of saponins in these plants. The results will yield valuable pharmaceutical intermediate hormones.

-- IN-AR-183. Influence of scouring and dyeing on strength-abrasion of durable-press cotton.
Bombay Textile Research Association, Bombay. $113,000 equivalent.
The effect of varying scouring conditions on chemical and physical properties of cotton fabrics and effects after dyeing with various classes of dyes, will be studied. This research will develop suitable scouring and dyeing conditions which will not affect resilience or strength-abrasion factors with durable-press cotton. Benefits will be the availability of superior durable-press cotton as well as the techniques developed for its manufacture.

-- PK-ARS-134. Survey of biological studies of parasites and pathogens attacking Heliothis spp. in Pakistan.
Commonwealth Institute of Biological Control, Rawalpindi. $128,000 equivalent.
This research will identify and supply new parasites and pathogens which attack the Lepidoptera moth Heliothis spp., commonly known as the corn earworm, cotton bollworm, or tomato fruitworm. Use of these newly discovered parasites and pathogens will aid the farmer in combating this serious insect pest without the use of chemicals and without harming the environment.

-- IN-ARS-197. Studies on utilizaton of toxic plants for the control of nematode pests of economic crops.
Haryana Agricultural University, Hissar. $98,000 equivalent.
The farmer has no suitable nematicide to control nematode infestations in his field. It is known that certain plants produce chemicals in soil which kill nematodes. This research will identify plants which, when used in rotations with crops, will kill nematodes, and also will isolate chemicals which inhibit or eliminate nematodes in the soil.

-- The following research projects submitted by Polish scientists have been reviewed by the Agricultural Research Service and the Forest Service for relevance to the Department's current research objectives. They stand approved by the USDA, and a U.S. cooperating scientist has been appointed for each. The determination of actual cost will be settled at negotiation, but past experience indicates an average cost of $200,000 equivalent for each 5-year grant. Please note the projects actually funded from this list of approved proposals, plus the previously-listed India and Pakistan research projects, will be determined in coordination with the national program specialists of the concerned research agencies and OICD:

-- The determination of the bioindicating capabilities of Pinus silvestris L. based on the chemical analysis of its needles.
The Botanical Garden of the Polish Academy of Sciences, Warsaw.
Determination of long-term air pollution effects on our environment have been extremely difficult to quantify, particularly those chemicals contributing to acid rain. This project proposes to undertake basic research on the ability of live Scots pine needles to be an indicator of air pollution by some toxic compounds.

-- Microorganisms associated with mycorrhizae and non-mycorrhizal roots of pine (P. sylvestris L.)--their properties and influence on mycorrhizal fungi mycorrhiza formation in pine.
Nicolaus Copernicus University, Torun.
Trees can grow 100 percent faster on poor soils due to the beneficial symbiosis between the fungis mycorrhizae and plant roots. Studies on the complex soil interactions of this mold with other microorganisms could yield even better growth of forests through improved root absorption of nutrients and plant growth stimulants.

-- Genotypic variation of cereal in adaptability of photosynthetic apparatus to changeable environmental conditions.
Warsaw Agricultural University, Warsaw.
Photosynthetic productivity of cereals seems to depend as much on the plant's adaptability to the changing environment as on other inherited traits. Therefore, measuring photosynthesis under very dynamic conditions of temperature, water supply, and soil nutrients, and looking for genetic variation in this important trait should aid breeders in choosing the most productive cereal varieties for on-the-farm applications.

-- Chorology of woody plants of south-west Asia.
Institute of Dendrology, Polish Academy of Sciences, Kornik.
Accurate identification and location of woody plants is a critical first step before germplasm collection and preservation can be undertaken. This research will undertake basic mapping in an area, largely inaccessible

to Western scientists, that is known to be a critical "gene pool" of material ancestral to the current European and Asian plants found today. This information is critical to forestry scientists who need to develop more productive and adaptable trees and shrubs.

-- A study of the effect of different conditions and methods of cultivation and post-harvest storage on the quality and biological values of Pleurotus species.
The Research Institute of Vegetable Crops, Skierniewice.
Commercial mushroom production in the U.S. is limited to solely Agaricus bisporus and there is considerable interest in expanding the production base to include the tasty and popular East European oyster mushroom. The research will define the optimum growing-medium and conditions for economic production, select the most desirable mushroom type for commercial use, and examine the influence of post-harvest storage on fruit quality.

-- Hormonal control of wood formation--the mechanism of regulation.
Department of Plant Biology, University of Agriculture, Warsaw.
This research unit is at a critical stage in the development of a new theory of how auxin controls plant development. This fundamental information can make an enormous contribution towards increasing forest production as well as all other agricultural crops.

-- Efforts are currently being made to establish an FCR program in Burma. Pending a successful outcome of negotiations with the Burmese Government, OICD expects to obligate the first FCR project in Burma during FY 1983. No final projects have been developed for inclusion in this response.

SUBCOMMITTEE RECESS

Senator Cochran. We will have another hearing on Thursday, March 17, at 9:30 a.m. At that time, we will hear witnesses from the Agricultural Research Service, the Cooperative State Research Service, the Extension Service, and the National Agricultural Library. The subcommittee will stand in recess until that time.

[Whereupon, at 11:46 a.m., Tuesday, March 15, 1983, the subcommittee was recessed, to reconvene at 9:30 a.m. on Thursday, March 17.]

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MARCH 17, 1983

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:35 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Thad Cochran and Quentin Burdick presiding.

Present: Senators Cochran, Abdnor, Chiles, and Burdick.

DEPARTMENT OF AGRICULTURE

SCIENCE AND EDUCATION

STATEMENTS OF:
- ORVILLE G. BENTLEY, ASSISTANT SECRETARY FOR SCIENCE AND EDUCATION
- TERRY B. KINNEY, ADMINISTRATOR, AGRICULTURAL RESEARCH SERVICE
- WALTER I. THOMAS, ADMINISTRATOR, COOPERATIVE STATE RESEARCH SERVICE
- MARY NELL GREENWOOD, ADMINISTRATOR, EXTENSION SERVICE
- JOSEPH H. HOWARD, ACTING DIRECTOR, NATIONAL AGRICULTURAL LIBRARY

ACCOMPANIED BY:
- JOHN R. VICTOR, CHIEF, BUDGET DIVISION, AGRICULTURAL RESEARCH SERVICE
- THOMAS J. ARMY, DEPUTY ADMINISTRATOR, NATIONAL PROGRAM STAFF, AGRICULTURAL RESEARCH SERVICE
- EDWARD KNIPLING, ASSOCIATE DEPUTY ADMINISTRATOR, NATIONAL PROGRAM STAFF AGRICULTURAL RESEARCH SERVICE
- CLARENCE O. GROGAN, ACTING CHIEF, COMPETITIVE RESEARCH GRANTS PROGRAM, OFFICE OF GRANTS AND PROGRAM SYSTEMS
- STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

SENATOR BURDICK'S OPENING REMARKS

Senator BURDICK. This morning the subcommittee will hear witnesses on behalf of the administration's budget requests for agricultural research and extension. We will focus on four agencies within USDA:

The Agricultural Research Service, the Cooperative State Research Service, the Extension Service, and the National Agricultural Library.

These various program activities are all within the purview of the Assistant Secretary of Agriculture for Science and Education, Dr. Orville G. Bentley. He is accompanied by Terry B. Kinney, Administrator, Agricultural Research Service; Walter I. Thomas, Administrator, Cooperative State Research Service; Mary Nell Greenwood, Administrator, Extension Service; Joseph Howard, Acting Director, National Agricultural Library; Stephen Dewhurst, Budget Officer, Department of Agriculture; and John Victor, Budget Officer, Agricultural Research Service.

We will consider each program area individually to allow for specific testimony and questions. After I introduce each program, I invite its spokesperson to summarize the prepared statements, which will be made part of the record. Dr. Bentley, we welcome you and your colleagues to the subcommittee. I believe you have some introductory or overview comments before we proceed with the four agencies.

You may proceed, Dr. Bentley.

[Dr. Bentley's statement follows:]

Statement of Dr. Orville G. Bentley

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you as the first Assistant Secretary for Science and Education of the Department of Agriculture. I believe that the keen interest and demonstrated support of this particular Subcommittee and this Administration for the agricultural research and education activities of the Department place me in an enviable position of being able to achieve some difficult objectives. I accepted this challenge because I believe in the agricultural partnership and wish to help American farmers and ranchers maintain a strong competitive edge. While food continues to be a bargain for consumers, the farmer's plight is increasingly serious. Faced with ever present weather uncertainties, the continuing degradation of this country's soil and water resources, and the ill-effects brought about by a lingering worldwide economic recession, our farmers and ranchers urgently need more efficient techniques.

Mr. Chairman, it is a well established fact that the agricultural sciences and the availability of science-based information and technology have played major roles in creating our sophisticated food and fiber system and increasing our agricultural productivity. During this century, agriculture has undergone a transition from a resource based and labor intensive sector to a science based industry. This technological superiority in food and fiber has allowed most of our society to devote energies to other segments of the economy, leaving farm production to less than 5% of our population. It is our expectation that the importance of science and technology in the food and fiber industry will accelerate as the industry seeks ways to increase production efficiencies and integrate methods of conserving basic resources, such as soil. Wise allocation of our limited research and education resources is critically needed to ensure the long-term survivability of those who choose to remain in farming. A sound and well-equipped science and education system, with strong participation from the federal, state, and private sectors, is essential for a sustainable American agricultural system.

The science and education activities of the Department are carried out in concert with those of the state and private sectors. In the past, each of these three major performers addressed major needs by sharing information and applying their own unique resources to solve the diverse problems. But these linkages are becoming increasingly strained as resources become scarcer. Strengthening one element in the system will benefit all parts of the system. Current resource constraints have made issues such as priorities and resource allocations the most urgent policy matters. Our program leaders and scientists are challenged to identify valid concerns and make necessary adjustments.

As you know, the 1981 Farm Bill established the position of Assistant Secretary for Science and Education. I believe that this action was a clear mandate to strengthen long and short-range planning for the agricultural research and education system and to further strengthen the federal/state research partnerships.

Over the next 12 months, USDA Science and Education agencies will be taking a new look at research priorities and directions. An assessment is being made of the long-term food, fiber, and forest products needs for the 21st century and the role science and education can play in meeting those needs. After the long-term picture is examined, a 5-year plan will be prepared for research, higher education, and extension programs, along with a discussion of roles for federal, state, and private agencies.

The Agricultural Research Service (ARS) has already prepared a long-range strategic national research plan. Through its Office of Higher Education, ARS is also examining the supply-demand picture for agricultural expertise. The Cooperative State Research Service is looking at new approaches for identifying research priorities. The Extension Service is completing a broad-based comprehensive study of its program designed to develop guidelines for its activities in the 80's and beyond. The National Agricultural Library is making many organizational and management changes to improve basic services and regain its leadership role in developing a national electronic information network.

A common denominator in all of these studies and activities is a careful evaluation of the role of the public research and extension system in our dynamically evolving agricultural sector.

The scientific and education leaders of the agricultural community must find answers to the critical questions confronting this Nation:

-- Will it be possible to greatly reduce severely eroding areas of crop land and, at the same time, significantly increase the water use efficiency of crops?

-- Can research reverse the trend of plateauing productivity increases for major food and fiber products through the use of genetic engineering, biotechnology and multidisciplinary efforts based on traditional disciplines?

-- Can we accelerate the development and adoption of integrated systems for controlling plant and animal pests and diseases?

-- Can research help significantly expand the use of agricultural products and develop new markets?

-- How does agricultural technology impact on the health and safety of consumers, on natural and man-made environments, and on the quality of life in rural communities?

In addition, in an attempt to better understand the complex links between diet and health, nutrition research must address the special dietary problems of the more vulnerable segments of the population, including children and the elderly. Nutrition research must also study the impact that new production practices might have on the nutritional value of the food we eat.

Based on its recognition of the urgency of these unanswered questions, this Administration has strongly supported agricultural research and extension. However, as the need to restrain Federal spending increases, even highly favored programs will have little or no growth in FY 1984.

ARS will have only $5.3 million in targeted increases. These are focused on a few research areas that urgently need increased resources.

The funding levels for the Hatch, Cooperative Forestry and 1890 formula programs in CSRS would be maintained. Special Research Grants and the Animal Health formula are proposed for reductions. The request for the Competitive Research Grants program is $21.5 million. This level would provide for a new basic research program on animal reproduction problems. We place particular importance on the need to support basic research through this competitively awarded grant program. The Department must prove its ability to support a broad range of research scientists, both within and outside the traditional system, in order to explore all promising avenues of potential research breakthroughs. The Competitive Research Grants program is the only one with a significant emphasis on reaching scientists outside the traditional system.

In the Extension Service, the traditional formula funds are maintained at the FY 1983 budget level. The $41.6 million reduction in earmarked programs was made necessary by the increasingly difficult budget constraints. Although many of these earmarked programs have been successful in encouraging states to develop programs in emerging areas of concern, the traditional formula funds are critical for the core funding of state programs. The formula funds give the states maximum flexibility in program planning.

A major study last year found serious deficiencies at the National Agricultural Library. Executives from the other national libraries were included on the study panel. Land Grant library executives participated in the study. The Administration is responding to the urgent needs both by an increased funding request and management efficiencies. The library can be a great national resource underlying the research and extension system. We must not allow it to decline further. The requested $1.1 million increase will do much to strengthen the Library and improve services.

Admittedly, today's budgetary realities may slow adjustments. But I am optimistic about our ability to remain productive and responsive to the needs of our agricultural community in spite of dollar constraints. I believe that it is incumbent on us to see that our legacy of continually improving agricultural efficiency is maintained in the future. We have taken some positive actions within Science and Education to insure this. For example, we are:

- -- carefully setting priorities based on a realistic assessment of resources and capabilities

- -- focusing resources on research and education initiatives with high potential payoffs

- -- greatly reducing administrative overhead to the minimum practical level

- -- redirecting low priority research funds to augment high priority projects.

Mr. Chairman, we must be prepared to explore and apply promising scientific developments in the years ahead. I am confident that the scientists and institutions involved in agricultural science and education are not only receptive to new ideas, but anxious to adopt the most promising approaches. The basic foundation for the science and education system remains strong. Over time, the system has demonstrated a capacity for change and progress. American agriculture is at a major crossroads. All partners must reexamine ways of collaborating and marshalling resources. We are particularly interested in this Committee's views on how the system can respond to new priorities with its constrained resources.

With these preliminary remarks, I will be happy to respond to your questions or concerns. Of course, each agency Administrator will have more detail about their respective agency proposals.

BIOGRAPHICAL SKETCH

DR. ORVILLE G. BENTLEY

Orville G. Bentley serves as the Nation's first Assistant Secretary of Agriculture for Science and Education. He was sworn in October 19, 1982, by Secretary of Agriculture John R. Block.

The South Dakota native is responsible for directing and evaluating the U.S. Department of Agriculture's role in the food and agricultural sciences. The creation of this position represents a new commitment to place increased emphasis on the development of science and technology needed to expand the production of food, fiber, and forest products to meet domestic and export needs at reasonable prices while maintaining our natural resources for future production.

Prior to assuming office, Dr. Bentley had served as Dean of the College of Agriculture at the University of Illinois since 1965. He has been active in national and international agricultural affairs for many years. He was a presidential appointee to the Board for International Food and Agricultural Development, Department of State.

Before joining the University of Illinois at Urbana-Champaign, Dr. Bentley was Dean of the College of Agriculture and Biological Sciences and Director of the Agricultural Experiment Station at South Dakota State University, Brookings.

Dr. Bentley earned his bachelor of science degree from South Dakota State College in 1942 and his master of science and doctoral degrees from the University of Wisconsin in 1947 and 1950, respectively. He served in the Army during World War II, attaining the rank of Major.

DR. BENTLEY'S OPENING REMARKS

Dr. BENTLEY. Thank you, Mr. Chairman, and members of the committee. I am Orville Bentley, Assistant Secretary of Agriculture for Science and Education. As you mentioned, the four administrators for the science and education agencies of the Department are here.

We appreciate the opportunity to present our overview of the programs for which we have been assigned responsibility. Mr. Chairman, we are much aware of the important role your committee has in shaping these programs, and we appreciate the long-time interest and the support this committee has given to agricultural research and education.

I might add, it is an honor to appear today as the first Assistant Secretary for Science and Education, but most of all I appreciate the opportunity to speak on behalf of the fine institutions, the universities, and the Federal agencies, that are involved in the agricultural science and education programs and the system that we have.

I have submitted a prepared statement for the record which highlights the budget request for each of the agencies, and my colleagues will be prepared to speak about those program activities in greater detail in their presentations. I would, though, like to have an opportunity to make some extended remarks if time permits this morning.

U.S. agriculture is a dynamic industry that relies heavily on research-generated science and technology. The success story of American agriculture can be easily documented, and our farmers and ranchers are an important part of our Nation's productive capacity. One of the outstanding characteristics of our food and fiber system is that it is in a constant state of change as it attempts to adjust to new situations, problems, and opportunities for growth and expansion. This means that research and education must also adjust as the science/technology support base, both public and private alike, seeks to serve the industry. It is the challenge of change that we in the science and education agencies of the Department are addressing as we plan for our programs to meet both short-term and long-term goals.

SCIENCE AND TECHNOLOGY

As I have already stated, and this committee knows so well, science and technology have influenced the growth and development of agriculture during most of this century, but especially in the past three or four decades. We expect this trend to continue and even to accelerate. Accordingly, a sound, well-balanced research and education system is essential to sustain the growth of the industry and to assure a high level of productivity. Our food and fiber system leads the world in efficiency and holds a strong competitive position in world markets. Our challenge, with the help of the Congress, the executive and private industry, has helped our producers, processors, and market system hold this position of world leadership.

To this end, the science and education agencies of the Department and the cooperating universities, State agricultural experiment stations, and State cooperative extension services are engaged in in-depth reviews of their programs and, based on these studies, are developing program plans for the years ahead. These plans attempt to include short-term, immediate needs and to set longer range goals. These reviews are leading to evaluation of existing programs and to setting priorities for use of the scientific expertise, the laboratories and other facilities, as well as budgetary support. It calls for a massive effort in communicating ideas and in seeking advice and council from the users of research and extension education services. We are recommending changes, because we believe there are new and exciting opportunities for scientific developments and the use of new technologies in agriculture, both in the production system and in the delivery of programs to our clientele.

MISSION-ORIENTED PROGRAMS

We want to stress that the basic mission of our programs will not change. We will continue to provide a mission-oriented program aimed at solving problems and helping farmers and ranchers adjust to change and to utilize new technologies in their operations.

For example, the systemwide assessment of research needs is, for the remainder of the decade, being developed under the auspices of the Joint Council for Food and Agriculture Sciences that was established by the Congress through title XIV of the Food and Agriculture Act of 1981. The ARS has just completed a year-long study, and its recommendations on a strategic research plan have been published. It is now being widely distributed to the Congress, to industry groups, and internally to the research and education community.

A joint land-grant university, USDA, user group committee, cochaired by Dr. Dan Aldrich of the University of California and Mr. Ray Lett of the USDA, has just released a report called "Extension in the Eighties." This report will be discussed by Dr. Greenwood in her presentation, but we know the recommendations will be helpful to us as we develop plans for strengthening a more targeted and more effective extension program for the future.

A blue-ribbon panel appointed by the Secretary has made recommendations on new directions for the NAL. Here again, we look forward to new and improved services from the library and for improved leadership nationally for the important task of storing and disseminating agriculturally oriented research findings and greater use of communication technology.

We believe that, as in the past, agricultural science and education can help solve some important challenges to U.S. agriculture. Let me illustrate by citing a few examples.

Will it be possible to greatly reduce severely eroding areas of cropland and, at the same time, significantly increase the water use efficiency of crops? Can research reverse the trend of plateauing productivity increases for major food and fiber products through the use of genetic engineering, biotechnology, and multidisciplinary efforts based on traditional disciplines in research? Can we encourage the development and adaptation of integrated systems for controlling plant and animal pests and disease? Can research help expand the uses of agricultural products and develop new markets for them? How does agricultural technology impact on the health and safety of consumers, on natural and manmade environments, and on the quality of life in rural communities? How can we encourage more young men and women to such careers in agriculture at all levels? We need highly trained scientists to do the research and to lead development in industry and in our universities.

Coupled with all of these points is a need for a better understanding of the complex links between diet and health and nutrition research concerning the dietary needs and problems of the more vulnerable groups, such as children and the elderly.

Admittedly, some of the changes and recommendations we are considering will be more difficult in the time of budgetary constraints, but we are optimistic about our ability to remain productive and responsive to the needs of our agricultural community in spite of dollar constraints. I believe that it is incumbent upon us to see that our legacy of continually improving agricultural efficiency is maintained in the future. We have taken steps within science and education to insure that we are setting the priorities and making a realistic assessment of the resources and our capabilities, that we are focusing our attention on high priority initiatives that have a potential for payoff, that we are reducing our administrative overhead to a minimum practical level, and that we are directing our resources to high priority program needs.

Mr. Chairman, with that background, I hope we have provided a setting for the other presentations made by the agency administrators. Of course, I would be pleased to answer any questions the committee may have. Thank you.

AGRICULTURAL RESEARCH SERVICE

Senator **BURDICK**. I think before we start any general questioning, we will hear from other members of the panel.

The first agency we will hear from is the Agricultural Research Service. ARS is USDA's in-house agricultural research unit. It has the lead responsibility for conducting the national agricultural research effort. Its basic mission is to develop new knowledge and technology which will insure an abundance of high quality agricultural commodities and products at reasonable prices to meet the increasing needs of an expanding economy, and to provide for the continued improvement in the standard of living for all Americans.

For ARS for fiscal year 1984, the President requests $472.4 million—an increase of $11.6 million over the fiscal year 1983 level, including supplementals.

Dr. Kinney, do you have any introductory comments? Your prepared statement will be included in the record.

[Dr. Kinney's statement follows:]

STATEMENT OF DR. TERRY B. KINNEY

Mr. Chairman and Members of the Committee, it is a pleasure to appear before you to present and discuss the 1984 Budget proposed for the Agricultural Research Service. Let me first introduce the other witnesses seated at the table: Dr. Mary Carter, Associate Administrator; Dr. Thomas J. Army, Deputy Administrator; and John Victor, the ARS Budget Officer.

The 1984 Budget request for the Agricultural Research Service is $472,410,000. This is an increase of $5,250,000 for expanded program initiatives and $6,938,000 for authorized pay costs incurred and absorbed in FY 1983.

Budget Changes

The Budget proposes an increase of $750,000 for fundamental animal engineering research. The application of genetic engineering techniques to animal science is in its infancy. Knowledge about genetic factors controlling animal production and of the immune response of farm animals to disease agents and to parasites is severely deficient. The proposed program in animal genetic engineering would enable the Department to exploit new techniques in the gene-mapping of animals, and in the study of genetic control over the immune response to disease agents.

The Budget includes an increase of $1,250,000 for basic plant engineering research. The application of genetic engineering techniques to existing basic plant science and plant germplasm knowledge is essential. The research will identify genes which regulate the processes that enhance yield, improve product quality and increase the resistance of plants to biological and environmental stress.

The Budget requests an increase of $1,550,000 for fundamental research to enhance exports. Increased emphasis on research to improve the world market position of U.S. agricultural products is essential. New knowledge is needed to upgrade product quality; reduce losses in storage and transport; and open new markets. The current knowledge base is inadequate. Long-term, high risk research is needed if we are to find enduring solutions to problems that face U.S. exports.

The Budget proposes an increase of $1,200,000 for human nutrition research. Our knowledge of the precise kinds, quantities and balances of nutrients required to achieve optimal human health and performance is seriously incomplete. Our human nutrition program will promote better health and productivity through research on human nutrition requirements during all life cycle stages, including infancy, childhood, adolescence, the pregnancy and lactation of women, adulthood and old age.

The Budget also recommends an increase of $500,000 for post-doctoral fellowships for the food and agricultural sciences. These funds will be used to support scientists accepted for post-doctoral training under the direction of Department scientists working on mission-oriented basic research at Federal laboratories. This program will ultimately strengthen our research capabilities as we build on the augmented programs to stimulate the development of Centers of Excellence in agricultural research.

Challenges

Mr. Chairman, as we move into the eighties many challenges face this Country's food and agricultural system. Increases in world population with long-term increased demand for agricultural production can be expected. The U.S. natural resource base -- our soil, water, and energy -- is being strained both in quantity and quality. In spite of current record yields of some crops, there is increasing evidence that productivity plateaus -- and, in some cases, yield declines -- of some major crops on a per unit land area basis are being experienced.

The costs of production inputs to achieve these record yields have never been higher, and the low financial rates of return have placed the economic health of American agriculture in jeopardy.

The need for new agricultural technologies is great, yet there is concern that sufficient new fundamental knowledge to develop such technologies at the rate needed is lacking. The current economic climate demands that existing research resources must be used in the most efficient way possible and targeted to the highest priority research needs in agriculture.

Recognizing these challenges and the economic situation, ARS is determined to operate as an efficiently managed Agency. To do this we must effectively plan our operations in order to make the most effective use of resources -- people, facilities, and organizational strengths -- in developing and carrying out research programs.

Basic Research

All research in ARS is and will continue to be directed toward resolving real problems of agriculture. Basic research in ARS programs is described as mission-oriented fundamental research that is precisely targeted to obtain the knowledge that does not now exist but is required to solve high-priority problems related to ARS's mission. Thus, its purpose is to provide new scientific data that is needed to solve problems which cannot be solved by applying existing knowledge or current technology. Basic research generally deals with identifying and understanding the complex biological and physical mechanisms which relate to the use of natural resources and the production, processing and use of plants and animals. ARS has identified those difficult problems in food and fiber which it believes cannot be solved with the application of existing knowledge. For these highly complex, long-term problems, ARS needs to obtain the fundamental knowledge necessary to generate practical solutions. ARS intends to invest about 50% of its resources to these mission-oriented fundamental research areas. The balance of the ARS program will utilize and apply the existing and new knowledge base for the development of technology and practical solutions to problems.

Our view of basic research is identical to that of industry. Basic research in industry and ARS is output-oriented just as is all other Research and Development in industry and ARS.

Planning

The ARS operational plan developed during the past has been refined to provide a clear blueprint for the direction of research, what we expect to accomplish, and why. The plan has established policies and methods by which the Agency will operate and more efficiently accomplish its goal. ARS research must be consistent with its mission, capabilities, and resources; appropriate to the Federal role; and complementary to other components of the agricultural community. This is in recognition that ARS is but one component of the agricultural research community.

ARS has a clear goal with six specific objectives which serve as the framework for long-range program planning. ARS management has considered authorizing legislation, policy statements from the Executive and Legislative branches, and a common program structure developed by the Joint Council on Food and Agricultural Sciences in establishing the Agency framework for operations.

Through fundamental and applied research, ARS will seek to provide the means to solve technical food and agricultural problems of broad scope and high-national priority as required to ensure perpetually an adequate supply of high-quality food and fiber for the American people and for export.

Research efforts will be focused to help --

1. Manage and conserve the Nation's soil and water resources for a stable and productive agriculture;
2. Maintain and increase the productivity of animals and the quality of crop plants;
3. Increase the productivity of animals and the quality of animal products;
4. Achieve maximum use of agricultural products for domestic markets and export;
5. Promote optimum human health and well-being through improved nutrition and family resource management;
6. Integrate scientific knowledge of agricultural production, processing, and marketing into systems that optimize resource management and facilitate transfer of technology to users.

To help support long-range planning the Agency will initiate an operational strategy that will provide timely and effective recommendations to assure resources authorized by the Congress are in support of priority areas of research. There will be some adjustments in the direction and conduct of research programs and some changes may cause concern to our clients as well as resistance by some of the scientists whose research is impacted. We realize that change cannot be accomplished without upsetting the status quo. However continued progress requires change.

Initiatives to cut costs in administrative and program management are also vital components of our implementation plan. Steps have already been taken to reduce support costs at headquarters and in the field during this fiscal year. We have initiated action to abolish certain support functions; consolidate other support services in Washington and the Regions and in general reduce other support activities that are not necessary to maintain functional research programs. Sizeable savings have already been redirected to programs this year. We anticipate additional personnel and dollar savings in FY 1984 and these resources will be made available to priority areas of research. Another result of these initiatives is that ARS has reduced its Indirect Program Support assessment rate 15% this year. We expect to reduce it further in fiscal year 1984. Through these activities we hope to provide an optimum allocation of limited resources that will provide maximum benefits, nationally.

In closing, Mr. Chairman, we want to express our deep appreciation for the understanding and support given us by you and this Committee. I will be pleased to respond to questions.

DR. KINNEY'S OPENING REMARKS

Dr. KINNEY. Thank you, Mr. Chairman, and members of the committee. It is a pleasure to appear before you to present and discuss the fiscal 1984 budget that is proposed for the Agricultural Research Service. Let me first introduce other witnesses seated behind me—Dr. Mary Carter, Associate Administrator of ARS, Dr. Thomas Army, Deputy Administrator, and John Victor, Chief of the Budget Division, who has already been introduced.

The 1984 budget request for the Agricultural Research Service is $472,410,000. This is an increase of $5,250,000 for expanded program initiatives and $6,938,000 for authorized pay costs incurred and absorbed in 1983.

I will try to summarize my statement as concisely as possible.

Senator BURDICK. Fine.

BUDGET CHANGES

Dr. KINNEY. The budget proposed an increase of $750,000 for fundamental animal engineering research. It includes an increase of $1,250,000 for basic plant engineering research, an increase of $1,550,000 for fundamental research to enhance exports, and an increase of $1,200,000 for human nutrition research. The budget also recommends an increase of $500,000 for post-doctoral fellowships for the food and agricultural sciences.

CHALLENGES FACING FOOD AND AGRICULTURAL SYSTEM

Mr. Chairman, as we move into the eighties, many challenges face this country's food and agricultural system. Increases in world population with long-term increased demand for agricultural production can be expected. The U.S. natural resource base—our soil, water, and energy—is being strained. The costs of production inputs have never been higher. The need for agricultural technologies is great. The current economic climate demands that existing research resources must be used in the most efficient way possible and targeted to the highest priority research needs in agriculture. Recognizing these challenges and the economic situation, ARS is determined to operate as efficiently as possible.

BASIC RESEARCH

All research in ARS is, and will continue to be, directed toward resolving real problems of agriculture. Basic research in ARS programs is described as mission-oriented fundamental research that is precisely targeted to obtain the knowledge that does not now exist but is required to solve high priority problems related to our mission. Thus, its purpose is to provide new scientific data that is needed to solve problems which cannot be solved by applying existing knowledge or current technology. ARS has identified those difficult problems in food and fiber which it believes cannot be solved with the application of existing knowledge. We intend to invest about 50 percent of our resources to these mission-oriented fundamental research areas. Our view of basic research is identical to that of industry. Basic research in industry and ARS is output oriented just as is all other research and development in industry and ARS.

LONG-RANGE PROGRAM PLANNING

The ARS operational plan developed in the past has been refined to provide a clear blueprint for the direction of research, what we expect to accomplish, and why. ARS has a clear goal with six specific objectives which serve as the framework for long-range program planning. Research efforts will be focused on the Nation's soil and water resources, productivity of crops and the quality of crop plants, productivity of animals and the quality of animal products, the use of agricultural products for domestic markets and export, improved nutrition, and, finally, systems that optimize resource management and facilitate transfer of technology to our users.

To help support the long-range planning, the agency will initiate an operational strategy that will provide timely and effective recommendations to assure that resources authorized by the Congress are in support of priority areas of research. There will be some adjustments in the direction and conduct of research programs, and some changes may cause concern to our clients, as well as resistance by some of the scientists whose research is impacted. We realize that change cannot be accomplished without upsetting the status quo. However, continued progress requires change.

Initiatives to cut costs in administrative and program management were mentioned by Dr. Bentley, and they have been the vital components of our implementation plan. Steps have already been taken to reduce support costs at headquarters and in the field. Sizable savings have already been redirected to programs this year, and we anticipate additional personnel and dollar savings in fiscal year 1984. Another result of these initiatives is that ARS has reduced its indirect program support assessment rate by 15 percent this year. We expect to reduce it further for the year 1984.

Mr. Chairman, in closing, we want to express our deep appreciation for the understanding and support given by this committee, and we would be pleased to respond to any questions.

Senator BURDICK. Thank you very much.

COOPERATIVE STATE RESEARCH SERVICE

Next, we will hear from the Cooperative State Research Service. The Cooperative State Research Service administers grants and coordinates Federal participation in a nationwide system of agricultural research conducted in cooperation with the States. Appropriated funds are provided to supplement State and local funds for research activities undertaken at approved schools of forestry, the 1890 land-grant institutions and Tuskegee Institute, colleges of veterinary medicine, and other eligible institutions.

The budget request for CSRS is $231.7 million—a decrease of $13.3 million from the amount provided in fiscal year 1983.

Dr. Thomas, your prepared statement will be included in the record, and you may proceed with your introductory remarks.

[Dr. Thomas' statement follows:]

STATEMENT OF DR. W. I. THOMAS

I appreciate the opportunity to appear before you and discuss the proposed budget for Fiscal Year 1984. The recommended level of funding for the Cooperative State Research Service will provide significant Federal support for food, agriculture and forestry research in the State Agricultural Experiment Stations and other cooperating institutions.

A unique partnership arrangement in food and agricultural research, exists between the Federal government and the governments of the several States and Territories whereby these units of government have accepted and have supported research programs through appropriations and legislation dating back to the First Morrill Act of 1862, the Hatch Act of 1887 and the Second Morrill Act of 1890. This Federal-State partnership has played a major role in the outstanding successes achieved in meeting the varied, dispersed, and in many cases, site-specific needs of American agricultural producers. More than seven thousand scientist years of research effort are annually being devoted to meeting the highest priority agricultural research problems of the fifty states, the territories and the District of Columbia, through their respective agricultural experiment stations, and other cooperating institutions.

Food and agricultural research is conducted in the United States by numerous public and private institutions. Research in the private sector is targeted primarily toward projects that have a potential for profits to the supporting institutions in the short time span. Research in the public sector is more broadly based and with much longer time horizons. Approximately 60 percent of the food and agricultural research conducted in the public sector is accomplished within the State Agricultural Experiment Stations. An additional 3 percent is conducted by other cooperating institutions. The remaining 37 percent is conducted within USDA research agencies, including the Agricultural Research Service, the Forest Service, and the Economic Research Service.

State institutions are focusing research programs on the long-term needs facing American agriculture as well as responding to problems of immediate concern. Foremost are problems of reducing soil loss from cropland, forestland, and rangeland; improving the use and management of irrigation water; and improving the quality of water from agricultural and forest lands. Problems of too much water on cropland or with disappearing groundwater tables for irrigation of arid cropland indicate the diversity of research priorities across this Nation. There is also a commitment for research programs to provide new knowledge and new technology about safe, high quality foods that can be produced at a reasonable cost for the American consumer. Research programs focusing on small, low-income farmers are of as much importance as the need for research programs to deal with the intricate complexities of the large scale agricultural enterprise.

Decisions on research and development priorities are made with reliance upon the input of the local agricultural producer. These needs are identified in the States, then consolidated into sets of regional priorities that become the building blocks for new or continued research thrusts in the national program priorities. Without a strong research base in the States, it is doubtful whether the food and agricultural sector of the United States can meet additional needs of the Nation. Our land and water resources, cannot continue to meet increasing demands, over the long run, without continuing to accelerate the rate of increased crop and animal yields, increasing the rate of application of soil and water conservation, and expanding new knowledge and new technologies into all aspects of the U.S. food and agricultural system.

The budget recommendation for Cooperative State Research Service for Fiscal Year 1984 is $231.7 million. This represents a decrease of $13.2 million from funds appropriated for Fiscal Year 1983.

The major budget recommendations for Cooperative State Research Service are, briefly:

1. To maintain funding at the Fiscal Year 1983 appropriated level

for: Hatch Act; McIntire-Stennis Cooperative Forestry Research; Evans-Allen, 1890 Colleges and Tuskegee Institute; and the 1890 Research Facilities.

2. To increase funding for the Competitive Research Grants program by $4.5 million, for basic animal science research. This will increase the impact and broaden the range of research covered by this program.
3. To fund the Special Research Grants at $15.5 million, which is a decrease of $12.3 million for selected research areas. Also, the budget proposes to discontinue further funding for Alcohol Fuels Research, Section 1419, P.L. 95-113 and for research under the Native Latex Act.
4. To provide no funds for Animal Health and Disease Research, Section 1433, P.L. 95-113.
5. To increase the Federal Administration (direct appropriation) funds by $319,000 to cover staff pay increases and for initiation of a research program in the Northern Mariana Islands.

The major emphasis of our budget recommendation, in this time of constrained Government spending, is to provide maximum flexibility in the States by continuing the current level of broad formula funding.

HATCH ACT

The Hatch formula research program is the foundation of the Federal-State research partnership upon which this Nation's decentralized food and agricultural science and education system was established. This program has helped stimulate funding from other sources. It is also a system which encourages research planning and coordination efforts that result in concerted broad based research thrusts to solve agriculture's highest priority researchable problems.

Our budget recommendation for the Hatch research program is $149.3 million. This includes $144.6 million for payment to States, $4.2

million for Federal administration, and $.5 million for penalty mail costs. We are maintaining the Fiscal Year 1983 appropriated level of funding. This level of funding will enable State Agricultural Experiment Stations to maintain strong base programs in research areas they consider to be of highest priority.

COOPERATIVE FORESTRY RESEARCH

The budget recommendation for the McIntire-Stennis Cooperative Forestry Research program is $12.5 million, maintaining the Fiscal Year 1983 appropriated level. This will maintain a critical research base for the Forestry Schools during these periods of budget constraints, particularly when State funding is suffering due to depressed markets for traditional wood products.

1890 COLLEGES AND TUSKEGEE INSTITUTE

The budget recommendation for the 1890 Colleges and Tuskegee Institute research program is $22.4 million. This recommended level of funding is the same as Fiscal Year 1983 and will help these institutions sustain a strong base program across a wide array of high priority research areas.

PUBLIC LAW 89-106 SPECIAL RESEARCH GRANTS

Special Research Grants program concentrates on problems of national interest beyond the normal emphasis of the formula programs. A decrease of $12.3 million will reduce the level of funding for this program in a number of research areas. A funding level of $15.5 million however, will continue programs in the areas of Pesticide Clearance and Minor Use Animal Drugs, Pesticide Impact Assessment, Animal Health Research, Germplasm Resources, Tropical and Subtropical Research, and Acid Precipitation. The major reductions proposed for Special Research Grants are based on the need to maintain funding for the traditional formula funds while reducing all but the highest priority earmarked programs.

PUBLIC LAW 89-106 COMPETITIVE RESEARCH GRANTS

The budget recommendation for the Competitive Research Grants program for Fiscal Year 1984 is $21.5 million. This includes $15 million for research related to plant science, $2 million for fundamental research on human nutrition and an increase of $4.5 million for basic animal science research. The increased funding will permit initiation of a new animal science research program emphasizing fundamental research in such areas as animal reproduction and physiology.

The research program of Competitive Grants invites participation by scientists both within and outside the traditional agricultural research establishment, thus supplementing the broad, programmatic support that we provide to the experiment stations. This program encourages researchers to attempt innovative, but high risk, approaches in key research areas which hold opportunities for major breakthroughs. It is by way of the Competitive Research Grants program that we hope to further broaden agriculture's research capacity.

PUBLIC LAW 95-113 ANIMAL HEALTH AND DISEASE RESEARCH

No funding for the Animal Health and Disease Research formula program is requested for Fiscal Year 1984. A funding level of $5,760,000 was available in Fiscal Year 1983. The annual level of appropriated funds has not been adequate, since initiation of this formula program in 1979, to support a viable program in most of the eligible institutions.

1890 RESEARCH FACILITIES

The Fiscal Year 1984 budget recommendation includes a $10,000,000 fund to continue momentum in the facilities construction program for the Colleges of 1890 and Tuskegee Institute which was instituted in Fiscal Year 1983. Cooperative State Research Service received the research facilities program plans for these institutions and will shortly be receiving the specific facilities proposals for the Fiscal Year 1983 grant funds. The funds will enable these institutions to purchase equipment and land, and to plan, construct, alter or renovate buildings to strengthen the capacity to conduct research in the food and agricultural sciences. The impact of this program will be felt most immediately when extremely overcrowded laboratory space is expanded and areas are developed to house and conduct highly complex agricultural research projects.

FEDERAL ADMINISTRATION

Coordination, planning, and administration of the Cooperative State Research Service program is carried out by a staff located in Washington, D.C. In Fiscal Year 1983, certain aspects of the role and functions of the Federal staff are proposed for reduction in scope. The CSRS staffing level continues focus of responsibilities of the staff to emphasize national research program leadership.

The Fiscal Year 1984 budget provides $.6 million for Federal Administration (direct appropriation) which includes an increase for pay costs absorbed in Fiscal Year 1983. The increase will also initiate an agricultural research program on a limited scale in the Commonwealth of the Northern Mariana Islands. This initial research program will address selected agricultural production and marketing problems.

This concludes my statement, Mr. Chairman. We will be pleased to respond to any questions about our program.

BIOGRAPHICAL SKETCH

Clarence O. Grogan

Dr. Clarence O. Grogan is Acting Chief, Competitive Research Grants program, Office of Grants and Program Systems, Science and Education. Dr. Grogan was born on a farm in Missouri. He received his undergraduate and graduate degrees from the University of Missouri. His graduate studies were in plant breeding and genetics.

Dr. Grogan spent three and one-half years in Africa after his Ph.D. in 1951, working in a plant breeding/advisory role. He was with Agricultural Research Service in plant breeding and genetics and a member of the graduate faculties at the University of Missouri and Mississippi State University for approximately eleven years before accepting a position as Professor of Plant Breeding and Genetics at Cornell University. His primary research interest was the genetics of plant mechanisms associated with quality, production efficiencies, and protection. He has been with Cooperative State Research Service since 1976, first as Principal Agronomist (crop scientist) and later as Group Leader, Assistant Deputy Administrator, and recently as Acting Chief of the Competitive Research Grants program.

Dr. Grogan is a Fellow of the American Society of Agronomy.

STATEMENT OF DR. WALTER I. THOMAS

Dr. Thomas. Thank you, sir. I appreciate the opportunity to appear before you and discuss the proposed budget for fiscal year 1984. The recommended level of funding for the CSRS will provide significant Federal support for food, agriculture and forestry research in the State agricultural experiment stations and other cooperating institutions.

More than 7,000 scientist years of research effort are annually being devoted to meeting the highest priority agricultural research problems of the 50 States, the territories, and the District of Columbia, through their respective agricultural experiment stations and other cooperating institutions. Approximately 60 percent of the food and agricultural research conducted in the public sector is accomplished within the State agricultural experiment stations.

State institutions are focusing their research programs on the long-term needs facing American agriculture, as well as responding to problems of immediate concern. Foremost are problems of reducing soil loss from cropland, forestland, and rangeland; improving the use and management of irrigation water; and improving the quality of water from agricultural and forest lands. There is also a commitment for research programs to provide new knowledge and new technology about safe, high quality foods that can be produced at a reasonable cost for the American consumer.

BUDGET REQUESTS

The budget recommendation for Cooperative State Research Service for fiscal year 1984 is $231.7 million. This represents a decrease of $13.2 million from the funds appropriated in fiscal year 1983. The major emphasis of our budget recommendation, in this time of constrained government spending, is to provide maximum flexibility in the States by continuing the current level of broad formula funding.

Our budget recommendation for the Hatch research program is $149.3 million. This includes $144.6 million for payments to States, $4.2 million for Federal administration, and $.5 million for penalty mail costs. We are maintaining the fiscal year 1983 appropriated level of funding. This level of funding will enable State agricultural experiment stations to maintain strong base programs in research areas they consider to be of the highest priority.

The budget recommendation for the McIntire-Stennis cooperative forestry research program is $12.5 million, maintaining the fiscal year 1983 appropriated level.

The budget recommendation for the 1890 Colleges and Tuskegee Institute research program is $22.4 million. This recommended level of funding is the same as fiscal year 1983 and will help these institutions sustain a strong base program across a wide array of high priority research areas.

The special research grants program concentrates on problems of national interest beyond the normal emphasis of the formula programs. A decrease of $12.3 million will reduce the level of funding for this program in a number of research areas. A funding level of $15.5 million, however, will continue programs in the areas of pesticide clearance and minor use animal drugs, pesticide impact assessment, animal health research, germplasm resources, tropical and subtropical research, and acid precipitation.

The budget recommendation for the competitive research grants program for fiscal year 1984 is $21.5 million. This includes $15 million for basic research related to plant science, $2 million for fundamental research on human nutrition, and an increase of $4.5 million for basic animal science research. The increased funding will permit initiation of a new animal science research program emphasizing fundamental research in such areas as animal reproduction and physiology.

No funding for the animal health and disease research formula program is requested in fiscal year 1984.

The fiscal year 1984 budget recommendation includes a $10 million fund to continue the momentum in the facilities construction program for the Colleges of 1890 and Tuskegee Institute which was instituted in fiscal year 1983. The funds will enable these institutions to purchase equipment and land, and to plan, construct, alter, or renovate buildings to strengthen the capacity to conduct research in the food and agricultural sciences.

Coordination, planning and administration of the Cooperative State Research Service program is carried out by a staff located in Washington, D.C. In fiscal year 1983, certain aspects of the role and functions of the Federal staff are proposed for reduction in scope. The CSRS staffing level continues focus of responsibilities of the staff to emphasize national research program leadership.

The fiscal year 1984 budget provides $.6 million for Federal administration, direct appropriation, which includes an increase for pay costs absorbed in fiscal year 1983. The increase will also initiate an agricultural research program on a limited scale in the Commonwealth of the Northern Mariana Islands.

This concludes my statement, Mr. Chairman. We will be pleased to respond to questions when appropriate.

Senator BURDICK. Thank you very much, Dr. Thomas.

Our next witness will be Dr. Greenwood. We understand you are recovering from recent surgery. You are looking fine this morning.

Dr. GREENWOOD. Thank you. I am delighted to be here.

EXTENSION SERVICE

Senator BURDICK. The Extension Service is the educational arm of USDA. Through its partnership with land-grant colleges and universities, it uses a nationwide educational delivery system to extend important knowledge and know-how into virtually every county in the United States. The primary function of this nationwide system of cooperative extension work is to provide out-of-school applied education in agriculture, home economics, community development, 4-H youth programs, and related subjects.

The Extension Service budget request for fiscal year 1984 is $284.1 million—a reduction of $41.6 million from the fiscal year 1983 baseline.

Dr. Greenwood, please proceed with any introductory remarks you may have. Your prepared statement will be included in the record.

[Dr. Greenwood's statement follows:]

STATEMENT OF DR. MARY NELL GREENWOOD

Mr. Chairman and members of the Committee, I appreciate this opportunity to appear before you to discuss Extension Service's proposed budget for FY 1984.

Through a long-standing partnership with our land-grant colleges and universities and with local governments, Extension operates a nationwide system that reaches every county of the United States and some territories. Extension's proposed Federal budget will be the Federal Government's contribution to this nationwide extension network in FY 1984.

This past year has been a time of close scrutiny for Extension, from the General Accounting Office, Congressional oversight hearings, Office of Management and Budget, Users Advisory Board, and other internal reviews to name just a few. Major questions have dealt with Extension's mission, audiences, programs, delivery systems, accountability and evaluation, funding and roles of the partners.

Of particular interest is the report called "Extension in the 80's" that has just been completed regarding the future and roles of each of the partners in the Cooperative Extension system. In January 1982, Secretary Block and President Robert Clodius of the National Association of State Universities and Land-Grant Colleges appointed the 21-person committee to conduct the study which is broadly representative of government, the land grant system, users of Extension programs, and the private sector. Raymond Lett, Executive Assistant to Secretary Block, and Daniel Aldrich, Chancellor of the University of California at Irvine, co-chaired the committee.

In its report the committee recommended that Extension strive to:

-- Boost Extension programs in agricultural production technology, farm and home management, and marketing strategies for U.S. farmers, ranchers and their families,

-- Maintain Extension Service agricultural programs as a major thrust of the total Extension effort, and

-- Accelerate the translation of research results into computer software packages and make these widely accessible to family farms, agribusiness, marketing institutions, families and communities.

Among other committee findings are reffirmation of the value, relevance and need for Extension; an emphasis on importance of the partnership to the success of the nationwide Extension system; and a call for strengthening the linkages between Extension and other USDA and Federal agencies. The report also urges maintaining research as the base for Extension's educational and technology transfer efforts in the five major program areas of agriculture, natural and environmental resources, community and small business development, home economics/family living, and 4-H/youth education and development, primarily recommends that the partners in the Cooperative Extension system take the lead in reexamining the formula for allocating Federal funds to the several states and territories as well as examining the contributions from each of the partners.

The primary mission of Extension--at Federal, State and county levels -- continues to be to improve American agriculture and to strengthen American families and communities through research-based education and other existing technology.

Extension serves our total agricultural community and related industry. As Extension is addressing our farmers' and ranchers' needs for production and marketing efficiencies, it is equally addressing the needs of our farm and rural families and communities. Extension's audiences include farmers and ranchers, their spouses and families, consumers, homemakers, youth, the elderly, and supporting industries. Extension addresses problems and situations as they occur in the real world. The people Extension serves provide strong guidance in determining our priorities and programs.

In cooperation with our State and local Extension partners we have identified nine high priority issues on which the national Extension system will concentrate attention this year and in the years to come and these are:

- Crop and Animal Production Efficiency
- Financial Management
- Food and Fiber Marketing Management
- Forest and Rangeland Management

- Management and Conservation of Soil and Water
- Human Nutrition and Health
- Leadership Development for Youth and Adults
- Local Government Operations and Finance
- Small Business Development and Management

The role of the Federal agency has also been confirmed. The role of Extension Service, USDA, is to provide national leadership and to represent the U.S. Department of Agriculture within the Cooperative Extension system. We have reorganized the Federal agency. We are smaller than a year ago -- and more effective, with an emphasis on national program leadership and management.

Mr. Chairman, Extension has also been a model of decentralization for almost seven decades. A Federal staff of fewer than 180 supports and provides leadership for a national staff of about 30,000 Extension non-Federal employees at State and local levels -- resources that are further multiplied by a dedicated force of 1,500,000 volunteers.

We believe that the key to Extension's success is the partnership. Each partner -- Federal, State and county -- is essential. The result is a system of unprecedented success -- as effective and timely today as when it was formed in 1914. The national Extension system is flexible and has the great ability to meet the demands and opportunities of tomorrow.

Above all, Extension is a bargain. Every $1 of Federal money is currently matched by an additional $1.73 of State, County and private funds -- funds that for the most part would not be made available without a Federal commitment and stimulus. The private-fund category is particularly noteworthy. In 1982 the national Extension system received nearly $25 million in non-tax revenues, an amount that has quadrupled in the last ten years and which will come increasingly from user fees as well as private contributions.

Last year was a time of assessment, realignment and redirection for Extension. This year is a time of demonstrated change.

I would now like to discuss the budget we are proposing for FY 1984.

FY 1984 Budget

A total of $287,082,000 is proposed for the Extension Service. This is $41,572,000 lower than the appropriation provided in FY 1983. Within the proposed level of activity in FY 1984, we are requesting that all formula payments to States, available to both our 1862 and 1890 cooperating institutions, as well as the University of the District of Columbia, be maintained at the FY 1983 level. However, in response to this Administration's concerns to mitigate further deficiencies in the Federal budget, the budget proposes to discontinue separate funding for categorical or specifically targeted extension programs funded under Section 3d of the Smith-Lever Act, and a portion of the EFNEP program.

Separate funding in support of natural resource activities under the Renewable Resources Extension Act are also proposed to be discontinued. In addition, we are proposing reductions in our Federal Administration activities particularly in our support for the regional rural development centers, technology transfer pilot projects and some general administration activities.

Let me reiterate that proposed reductions in our earmarked programs result from a very careful and deliberate assessment of all of our current extension activities by this Department and also by our State cooperators. This priority setting process clearly indicated the need to protect the traditional formula funds to the maximum extent possible at this time of increasing budget constraints. Formula funding permits a consistent, stable, dependable, and reliable programming source for the States with maximum options for flexibility The core of the State Extension Service programs is financed from these sources of funds.

Thus, although categorical funding has been effective in meeting specific needs, the earmarked programs have been greatly enhanced by the basic program capacity which has drawn its support from Federal formula funding. These formula funds are matched and usually exceeded by State appropriations.

More specifically, proposed reductions of $41,572,000 in our earmarked programs consist of:

o EFNEP (-$24,533,000): Proposed level of activity in FY 1984 is requested at $34,821,000 or some 60% of current operations. At this funding level approximately one-half of the current program level of activity will remain in FY 1984, after discounting for inflation. States will be given maximum flexibility in tailoring remaining programs in terms of the clientele needs that exist in each State.

For example, the current program requirement that focuses 20% of total efforts for the benefit of urban low-income youth will be left to the discretion of each State. Thus, States will be encouraged to refocus remaining programs to State specific clientele demands, but in consonance with the original program goal of providing low-income families with children with improved nutritional knowledge and practices necessary to maintain adequate diets.

- Integrated Pest Management (IPM) (-$7,531,000): Total elimination of earmarked funding is proposed because of the growth and acceptance of IPM programs through the years. We have reason to believe that the private sector can be expected to meet, producer demand for continuation of services initiated by the State Extension services. States having a high-priority need to continue this program will have options to redirect funds from other resources to meet this need, an option that is available to them under Federal formula funding.

- Pesticide Impact Assessment (-$1,716,000): Total elimination of earmarked program funding is proposed. With the proposed elimination of these funds, current USDA and State Pesticide Impact Assessment programs will be modified to enable the private sector to assume some of Extension's responsibilities in this area.

- Urban Gardening (-$3,000,000): We believe that this program has achieved the purpose of increasing emphasis on gardening programs. States have incorporated this program within their regular activities. Continued demonstrations in the very limited number of cities (16) should no longer require separately targeted funds.

- Farm Safety (-$1,020,000): We also believe that the importance of this program has been adequately demonstrated to the States through the life of this program. Approximately one-half of the States where the farm safety program is a clear high-priority concern, are in a position to continue a strong program in this area even without this separately earmarked support.

- Renewable Resources Extension Act (-$2,000,000): Even before the enactment in 1978 and initial funding of this Act in 1982, there has been a modest growth in Extension's forest and rangeland renewable resources programs in States where the need clearly exists. States will allocate approximately $14 million in Federal Smith-Lever formula funds, State, County, and private funds to renewable resources programs in FY 1983. We expect continuing program emphasis by all States in this high priority area.

- Federal Administration (-$772,000): We are requesting adequate Federal Administration funding to support the planned ceiling of 177 staff-years in FY 1984. This includes $70,000 for the Secretary's commitment to expand extension work to the Commonwealth of Northern Marianas. However, our proposal excludes continued support for the regional rural development centers and the technology transfer pilot projects initially funded last year. We believe that the States belonging to the respective regions can assume support for the rural development centers from the Title V funds, which were merged with the Smith-Lever formula funds in FY 1981 and are still available. With regard to the technology transfer pilot projects, we believe that the funds provided to FY 1983 will be sufficient to develop the necessary programs as envisioned by the Congress.

In conclusion, Mr. Chairman, we have had to make some very tough choices and decisions in our FY 1984 Budget proposal because of existing funding constraints. I will be pleased to respond to any of your questions.

DR. GREENWOOD'S OPENING REMARKS

Dr. GREENWOOD. Thank you, Mr. Chairman. I do appreciate the opportunity to appear before your committee. Prior to presenting my statement, I would like to introduce Denzil Clegg, Associate Administrator for the Extension Service, and John Victor, ARS Budget Officer, who has been very instrumental in preparing for this testimony.

Through a long-standing partnership involving USDA, the land-grant universities and local governments, the Extension Service operates a nationwide system that reaches every county in the United States and its territories.

This past year has been a time of close scrutiny for Extension, from the General Accounting Office study, congressional oversight hearings, Users Advisory Board, and other internal reviews. Major questions have dealt with Extension's mission, audiences, programs, delivery systems, accountability and evaluation, and roles of the various partners.

EXTENSION REPORT

Dr. Bentley in his opening remarks referred to the Extension report which has recently been completed. The Secretary of Agriculture and President Robert Clodius of the National Association of State Universities and Land-Grant Colleges appointed a 21-member committee to address the issues as we proceed into this decade. In the report presented to those two individuals in late February, it was recommended that Extension strive to boost its programs in agricultural production technology, farm and home management, and marketing strategies for U.S. farmers, ranchers, and their families. Extension should also maintain agricultural programs as a major thrust of the total Extension effort and should accelerate the translation of research results into computer software packages and make these widely accessible to family farms, agribusiness, marketing institutions, families, and communities.

Other committee findings included the reaffirmation of the value, relevance, and need for Extension; emphasis on the importance of the partnership to the success of the nationwide Extension system; and the call for strengthening the linkages between Extension and other USDA and Federal agencies. This report also urges maintaining research as the base for Extension's educational and technology transfer efforts in the five major program areas of agriculture, natural and environmental resources, community and small business development, home economics, and 4–H/youth education and development.

EXTENSION'S PRIMARY MISSION

The primary mission of Extension, at Federal, State, and county levels, continues to be to improve American agriculture and to strengthen American families and communities through research-based education. Extension serves our total agricultural community, addressing the needs of specific audiences such as farmers and ranchers, consumers, homemakers, the elderly, youth, and supporting industries. Extension addresses problems and situations as they occur in the real world. The people whom we serve provide strong guidance in determining our priorities and programs.

During this past year, we have also made a very careful assessment in terms of the role of the Federal agency. That role has been reaffirmed. Extension Service, USDA is to provide national leadership and represent the U.S. Department of Agriculture within the cooperative extension system. To this end, we have reorganized our Federal staff and are smaller than we were a year ago. But we believe we are also more effective, and we are focusing on national program leadership and management.

Mr. Chairman, Extension has been a model of decentralization for almost seven decades. We have a Federal staff of fewer than 180 that supports and provides leadership for a national staff of approximately 30,000 Extension employees across the country. Those resources are further multiplied by a dedicated force of 1.5 million volunteers.

We believe the key to Extension's success is the partnership. Each partner—Federal, State, and county—performs a very vital role. The national Extension system is flexible and has the great ability to meet the demands and opportunities for tomorrow.

FISCAL YEAR 1984 BUDGET

If I may, I shall now turn to the elements of our fiscal year 1984 budget.

A total of $287,082,000 is proposed for the Extension Service. This is $41,572,000 lower than the appropriation provided in fiscal 1983. Within the proposed level of activity in 1984, we are requesting that all formula payments to States, available to both our 1862 and 1890 cooperating institutions, as well as the University of the District of Columbia, be maintained at the fiscal 1983 level. However, in response to this administration's concerns, this budget proposes to discontinue separate funding for categorical or specifically targeted Extension programs funded under section 3(d) of Smith-Lever, as well as a portion of the expanded food and nutrition education program.

Separate funding in support of natural resource activities under the Renewable Resources Extension Act is also proposed to be discontinued. We are proposing reductions in Federal administration activities, particularly in our support for regional rural development centers, technology transfer pilot projects, and some general administrative activities.

Let me reiterate that the proposed reductions in our earmarked programs result from a very careful and very deliberate assessment of all of our current Extension activities by this Department and also by our State cooperators. The priority-setting process clearly indicated the need to protect the traditional formula funds to the maximum extent possible. Formula funding permits a consistent, stable, dependable, and reliable program source for the States, with maximum options for flexibility. The core of the State extension service program is financed from these sources of funds.

Categorical or earmarked funding has been effective in meeting specific needs. But earmarked programs draw much of their support from Federal formula funds which are matched and usually exceeded by State appropriations.

PROPOSED REDUCTIONS

Let me address the proposed reductions of $41.5 million in our earmarked programs.

The expanded food and nutrition education program is being reduced by $25.5 million, for a proposed level of activity in fiscal 1984 of $34.8 million, or roughly 60 percent of our current operation. These reductions include the total elimination of earmarked funding for integrated pest management in the amount of $7.5 million and program funding of $1.7 million for pesticide impact assessment. The urban gardening program of $3 million and the farm safety program of $1.02 million are also proposed for termination as is Renewable Resources Extension Act funding of $2 million. In terms of Federal administration, a reduction of $772,000 is proposed, but we are requesting adequate Federal administration funding to support our planned personnel ceiling of 177 staff-years. Our request also includes $70,000 for the Secretary's commitment to expand Extension work to the Commonwealth of the Northern Marianas. However, our proposal in terms of Federal administration does not include continued support for regional rural development centers and technology transfer pilot projects initially funded last year.

Mr. Chairman, we have had to make some very tough choices and decisions in our fiscal 1984 budget proposal. We continue to appreciate your guidance in the conduct of our Extension programs. My colleagues and I will be pleased to respond to any questions.

Senator BURDICK. Thank you very much.

NATIONAL AGRICULTURAL LIBRARY

Finally, we will hear from the acting director of the National Agricultural Library, Mr. Joseph H. Howard.

The Library houses and provides coverage and servicing of worldwide publications in the agricultural, chemical, and biological sciences. It serves all of the Department programs in the Washington metropolitan area, as well as field installations throughout the country. It also provides valuable service to the land-grant universities and to the world agricultural science community.

The President is requesting $9.9 million for the Library for fiscal year 1984—an increase of $913,000 over the fiscal year 1983 level, including supplementals.

Mr. Howard, please proceed.

[Mr. Howard's statement follows:]

STATEMENT OF JOSEPH H. HOWARD

Mr. Chairman and members of the subcommittee. I welcome this opportunity to appear before you to discuss the proposed fiscal year 1984 budget for the National Agricultural Library.

Last year was an exceptional year for the National Agricultural Library. First of all Dr. Richard A. Farley retired after a long and distinguished leadership of the National Agricultural Library. I have been designated as an Acting Dircetor, until a permanent Director is named. I am on loan from the Library of Congress.

Another significant event for the Science and Education system that took place in 1982 was the appointment of an Interagency Panel charged with the Assessment of the National Agricultural Library -- commonly referred to as the "Blue Ribbon Panel" -- at the direction of Secretary Block.

The panel was chaired by Ray Kline, Deputy Administrator, of the General Services Administration, and included top-level administrators from the Library of Congress, National Library of Medicine, the National Technical Information Service, the National Commission on Libraries and Information Science, the National Archives, the Federal Library Committee, and the International Development Cooperative Agency. The panel worked in close collaboration with USDA as well as the land-grant universities with the final report submitted to the Secretary on August 12, 1982. The Panel's report will act as a blueprint for the activities of the National Agricultural Library.

Mr. Chairman, our FY 1984 Budget proposal specifically addresses the findings and recommendations of this Panel, keeping in mind existing Departmental priorities and within budgetary constraints. As a member of the "Blue Ribbon Panel", I was aware of its findings and recommendations and we moved expeditiously in addressing some of the Panel's immediate concerns, especially those areas that require little or no additional outlays. For example, we have restored the hours of reference service that had been reduced in 1982, to previous years level. We also began using a national online library system to transmit and receive requests for loans to and from other libraries.

Our FY 1984 budget proposal represents the first increments needed in responding to the Panel's strong recommendation that NAL improve basic services and take the lead as this Nation's primary information resource on agriculture and related sciences.

We propose a FY 1984 budget of $9,873,000 or an increase of $1,141,000, from the FY 1983 appropriation of $8,732,000.

More specifically, this additional request includes $251,00 to extend hours of service and improve quality and timeliness of services. $321,000 is requested for purchase of books, journals, and material in other formats. This increase will enable NAL to update its collections and to build collections in new areas of interest which would be severely restricted, given the library's present limited resources and increasing prices of library materials. $212,000 is requested for timely processing of materials and input of records into the AGRICOLA data base which is currently up to six months out-of-date. Funding requested at this level includes cost of access to and use of cataloging and indexing data from a number of data base services now in existence.

An increase of $120,000 is requested to establish a center of excellence, to increase resource sharing with other libraries in the land-grant system. Building on existing specialized collections and land-grant libraries should be more cost efficient than duplicating the collections at NAL, some cost-sharing will be required

This increase is essential to the development of a national agricultural information network as mandated by Congress. Established centers of excellence will be important components in this development.

In addition a $100,000 increase is requested for needed repairs and maintenance of the library building. Finally $137,000 is also requested for the coverage of pay costs absorbed in FY 1983.

The increase and the additional 20 Staff years in the budget will do much to improve basic services to an acceptable level and begin building a great national resource.

On a personal note, may I say that working with NAL is a challenging and rewarding experience and I appreciate the confidence and support that I have received from both USDA personnel and the Library of Congress who made this opportunity possible.

Mr. Chairman, I will be happy to answer any questions that you might have.

BIOGRAPHICAL SKETCH

Joseph H. Howard
Acting Director
National Agricultural Library

A native of Olustee, Oklahoma, Mr. Howard received his bachelors and masters degrees from the University of Oklahoma.

Mr. Howard, Assistant Librarian for Processing Services for the Library of Congress, is on loan to serve as Acting Director of the National Agricultural Library. The appointment is the result of a vacancy created by the retirement of Richard A. Farley and will be in effect until a new director is named.

He has held positions of increasing responsibility at the Library of Congress since 1967. He has also served in library positions at Washington Universities Libraries, St. Louis, Missouri, and the University of Colorado. From 1963-65 he served as a Peace Corps volunteer in the University of Malaya Library and Malayan Teachers College. He served in the U.S. Army, Ft. Riley, Kansas 1952-54.

Mr. Howard is a member of the American Library Association and is a member of various ALA committees, the Decimal Classification Editorial Policy Committee, Library of Congress representative to Z39 of ANSI, and chairperson of the ISBN Advisory Committee.

Mr. Howard is the author of "Malay Manuscripts — A Bibliographical Guide" and has published extensively in library literature.

In 1979 he received the University of Oklahoma Library School Alumni Award for Outstanding Contributions to Librarianship.

MR. HOWARD'S OPENING REMARKS

Mr. HOWARD. I welcome the opportunity to appear before you to discuss the proposed fiscal year 1984 budget for the National Agricultural Library. I would like to introduce the associate director, Mr. Sam Waters.

Last year was an exceptional year for the National Agricultural Library. First of all, Dr. Richard A. Farley retired after a long and distinguished leadership of the National Agricultural Library. I have been designated as an Acting Director until a permanent Director is named. I am on loan from the Library of Congress.

BLUE RIBBON PANEL

Another significant event for the science and education system that took place in 1982 was the appointment of an interagency panel charged with the assessment of the National Agricultural Library, commonly referred to as the Blue Ribbon Panel. This was done at the direction of Secretary Block. The panel worked in close collaboration with USDA, as well as the land-grant universities, with the final report submitted to the Secretary on August 12, 1982. The panel's report will act as a blueprint for the activities of the National Agricultural Library.

Our fiscal year 1984 budget proposal represents the first increment needed in responding to the panel's strong recommendation that NAL improve basic services and take the lead as this Nation's primary information resource on agriculture and related sciences. We propose a fiscal 1984 budget of $9,873,000, or an increase of $1,141,000 from the fiscal year 1983 appropriation of $8,732,000.

Mr. Chairman, I will be happy to answer any questions you may have.

Senator COCHRAN [presiding]. Thank you very much, Senator Burdick, for presiding over the hearing up to this point.

I want to express our appreciation to this panel for being here this morning and providing this committee with these statements.

REALLOCATION OF RESOURCES

We know we are faced with tough choices this year in restraining the growth of spending, yet responding to critical needs in the area of agriculture. You make a very important contribution in an effort to solve those.

We are worried about some of the priorities that have been established in the budget, and I think to start off with I might spend a little bit of time talking about the research dollars. I have been hearing from people around the country, not just from my State but from other States as well, an expression of concern about reallocation of resources from the practical problems confronting agriculture now to some of the more esoteric and maybe long-range inquiries that may be the subject of the attention of the Agricultural Research Service over the next several years.

SIX-YEAR PROGRAM PLAN

Dr. Kinney, I know that you have put forward a 6-year plan, which has been described, and have suggested that this is something that has the support of the administration and the Congress. I wonder whether or not this is a plan that has been applauded by the Congress, and if so, who in Congress is supporting it?

Dr. KINNEY. Mr. Chairman, I should review rather briefly the 6-year program plan, which is part of a larger program plan that I am sure you are familiar with. It is a plan that was developed over the last year and a half. In looking at the total programs of the Agricultural Research Service, we re-revised the mission of the Agricultural Research Service relative to other organizations and as a Federal agency. The study should have been part of our normal management process, and it was, but it was promoted to a great sense of urgency because of the number of criticisms, recommendations, and comments that were coming from the executive branch, from the legislative branch, from industry, from our colleagues at universities, and many other groups about the role that the Agricultural Research Service was playing. So we undertook this program plan. It involved several hundred of our scientists and all of our top managers. We consulted with our colleagues in industry and at universities on an informal basis.

The second part of that plan was this 6-year implementation plan, which is really a sliding plan. This is what we would plan to do with the Agricultural Research Service resources during the next 6 years if we have no increase in budget beyond inflation, in other words, if we have a constant budget. This plan will be updated every year. So it is not a fixed plan. We intend to start moving this year toward implementation of this plan, but next year the plan will be updated.

It has not been approved by the Congress. It has not been approved by all of the industry groups. In fact, at this point I can say it has been approved only by the Agricultural Research Service and has had support from the Secretary and the Department of Agriculture in general. We are in the process of going through the program planning part of this activity which will dictate what changes must be made. We then will be talking with the Congress and others about these program changes. We do not intend to recklessly move out and redirect any programs that would create problems with industry or problems with our cooperating colleagues, or problems with the Congress.

CHANGE OF EMPHASIS

Senator COCHRAN. One thing that disturbs me is in the transfer of emphasis away from plant productivity and plant protection. Specifically, in my State we have considerable loss each year to farmers due to insects in cotton and other crops, and a great deal of work has been done in the past and continues to be done to try to develop technology and methods to cope with this problem and improve profitability on the farm. It is my hope that the Agricultural Research Service will continue to recognize the importance of its work in this area. But if this plan is implemented and if the dollars are allocated as proposed by this 6-year plan, it appears that about $3 million is going to be diverted from the plant protection area to other activities. I don't think we can afford less protection in these areas when we are making progress; you are making progress and a substantial contribution to solving some of these problems. But if we divert attention from them, they are going to get worse and not better, and that is going to decrease profitability. It is going to increase expense on the farm, and in the long run we are not going to see the gains in productivity that we would like to see.

I think most everybody recognizes that, over time, we are going to have to increase productivity to meet world demands for food and fiber. Some are suggesting that within the next 40 years we are going to have to double our production to cope with this increase in demand.

JANUARY 1983 PLAN COMPARED TO 6-YEAR PLAN

So, I have some very, very serious concerns about it, and I don't understand how we could abandon a plan that was developed in January 1983. I understand that there was a long-term program plan issued by ARS in 1983, and here we have another plan that has been developed that seems to be running at cross purposes with the 1983 program. Do you see inconsistencies between this plan and that one promulgated in January 1983?

Dr. KINNEY. No, Mr. Chairman. I should take a moment to clarify. There are really two activities ongoing at the same time. One is the 6-year program plan; that is outlined in the document furnished you, and the other one is part of our normal management activity, part of our normal budget formulation. As part of the budget process, we were asked to identify 20 percent of our program that could be closed out, if necessary, in keeping with the President's initiative. As a result of that, we were asked to also identify programs that could be redirected into higher priority research areas in keeping with this administration's priorities. So we have a separate document that outlines some program redirections that are taking place outside of this 6-year plan. But we think they are in keeping with this program plan. Again, we have reviewed those with the staff in both the House and Senate. We continue to review those, and we will not make those redirections if we are convinced that they are going to cause a problem in terms of immediate needs or if they are not going to, in fact, increase the efficiency of our research program.

ENTOMOLOGY REDUCTION

Senator COCHRAN. Is my impression accurate that under the proposed 6-year plan there would be a 47-percent reduction in resources allocated to cotton insect research?

Dr. KINNEY. Let me call on Dr. Knipling of my staff to see if that 47 percent is correct.

Dr. KNIPLING. Mr. Chairman, those are long-range targets. The 47-percent reduction refers to the broad area of crop protection, specifically entomology. We have not specified the commodity or the target insect, the problem insects or the location at this point. It may be that cotton insects will be reduced that much; it may not be reduced at all.

Senator COCHRAN. What are some of the other crops and the insect research that may stand to lose substantial amounts of funding or attention under this proposal? Are sunflowers included in that? [Laughter.]

Senator COCHRAN. What are some of the other crops and insects?

Dr. KNIPLING. We have entomology research on virtually all the commodities. I believe there are some 39 or 40 commodities that ARS researches; yes, sunflower is included. We, at this point, have not done the specific operational planning to specify which commodities or which locations or which insects.

POLICY ON REDIRECTION OF FUNDS

Senator COCHRAN. How are you going about defining the detail of this 6-year plan, so we will know what you are up to?

Dr. KNIPLING. We are in that process right now. We anticipate those operational plans will be determined within the next several months. We also, at the appropriate time, plan to share that with the Congress, with our cooperators, with our industry groups, State cooperators, and so forth.

Senator COCHRAN. Who are you accountable to for those decisions?

Dr. KNIPLING. To the Secretary of Agriculture.

Senator COCHRAN. Don't you know Congress appropriates the money you use to carry out those programs?

Dr. KNIPLING. Yes, sir.

Senator COCHRAN. And we have the power to define how the money is to be used, is my understanding of the way the system works. If the administration disagrees, they can send up a rescission of appropriation or suggest deferral of expenditures. But, I think, if Congress directs money to be allocated for research in a certain area, that is what is done.

Do you have any problem with that, Dr. Kinney?

Dr. KINNEY. No problem whatsoever. I think we have to have some document to discuss with the Congress, and that is what we are in the process of preparing now. We are preparing a program plan for the first year of this 6-year implementation.

Senator COCHRAN. And that would be fiscal year 1984? Would that be the next fiscal year for which this budget would apply?

Dr. KINNEY. Yes, sir.

CURRENT REDIRECTIONS

Senator COCHRAN. Is there any redirection of activity going on right now? Has there been any change of emphasis or redirection made by ARS in this fiscal year that is going on that we don't know about?

Dr. KINNEY. There is none that you are not aware of. When we complete a piece of research, it needs to be redirected to something of high priority. That is a normal part of our management. In general, if it is something we think is important, then we do discuss it with the Congress.

REDIRECTIONS OUT OF INSECT RESEARCH

Senator COCHRAN. Well, is it fair to say that if these dollars aren't used to do research in insect and plant protection activity in the major commodity areas, there just won't be as much work being done? Do you expect the private sector to take up the slack in this to make sure we do maintain high level productivity?

Dr. KINNEY. Absolutely.

Mr. Chairman, I would briefly like to explain what we feel we have to do insofar as our mission and our opportunity as a Federal research agency is. We have had many, many signals from industries indicating that they want us to move out of some areas of research that are very applied. Some of these relate to variety development, for example, and they tell us to go back and do the research that is going to assure that 15 or 20 years from now we can develop varieties that have actually improved over today's.

For example, in the case of insect areas, we are not going to move out of insect research and let the boll weevil eat up the cotton and other insects eat up sunflowers. But we do feel a strong need to move some of our research into areas that relate to the ferbam chemistry, to the basic physiology of the insect, to more research on the chemicals and other things that can be used to control insects, not today but in the future. We are absolutely certain that the storage of information that we have in the warehouse of knowledge is depleted to the point where we are seriously concerned. We are not going to move away from the practical problems, but we are going to have to back off some of our activity to assure that we can solve these problems in the future. We will do this in consultation with industry, with our colleagues at the university, and certainly in consultation with the Congress. And we have made a commitment concerning redirections that take place; we will provide the Congress an opportunity to respond to those before they are implemented. We do have some underway now, to respond to your question.

Senator COCHRAN. I have some other questions, but I am going to defer asking them to give others a chance to propound some. Senator Burdick?

INSECT RESEARCH

Senator BURDICK. As long as you are on the subject of insects and entomology, what is the allotment of funds for 1984 as compared to 1983 for insect research?

Dr. KINNEY. The allotment for 1984 is $69.5 million, and the amount for 1983 is $68 million.

SUNFLOWER RESEARCH

Senator BURDICK. Is there any thought of reducing research in the sunflower area?

Dr. KINNEY. Absolutely none.

Senator BURDICK. Absolutely none. Any thought of increasing it? [Laughter.]

Dr. KINNEY. I think, Senator Burdick, the sunflower research will benefit, as all other plant research, from the increase in basic research.

Senator BURDICK. This is serious research, because the bug is getting into North Dakota.

Dr. KINNEY. Senator, I am mindful of that, and you have been too. We are very much aware of it.

SMITH-LEVER PROGRAMS

Senator BURDICK. I notice in the budget justification the administration is recommending $230.4 million for Smith-Lever 3(b) and 3(c) programs. This is about the same amount provided last year. Perhaps, we should be happy that the program wasn't cut, but this program is extremely important in an agricultural State like North Dakota. Is this amount of money sufficient, or can we do a better job with more money?

Dr. GREENWOOD. As I have indicated, our budget does call for maintaining the Smith-Lever formula funding at the same level as last year. It will necessitate some very hard decisions within the States in terms of the programs to be continued. It will mean, as one looks at our overall budget, that Extension will have reduced program delivery in fiscal 1984. Some of our programs in agriculture—4-H, home economics, natural resources, and community development—will have to be curtailed. So, it will require some very, very hard decisions among our cooperating institutions and with our lay advisory groups to decide which programs should be continued.

PESTICIDE MANAGEMENT

Senator BURDICK. Thank you.

My next question deals with pesticide management, and I have been assured that the same level of funding will remain. Is that correct?

Mr. VICTOR. Under the Agricultural Research Service, it will remain at the same level.

Dr. GREENWOOD. I am not sure whether you are referring to research or Extension, Senator Burdick.

Senator BURDICK. In research.

Dr. GREENWOOD. Thank you, in Extension, pest management programs are being proposed for a $7.5 million reduction.

RANGELAND RESEARCH—SUBTITLE M

Senator BURDICK. Why has the administration decided not to fund rangeland research as authorized in the Agriculture and Food Act of 1981?

Who wants to handle that one?

Dr. THOMAS. There have been no funds specifically appropriated for subtitle M of that act. There is rangeland research being carried on under the formula funded programs. There are currently 265 projects with 80 scientist-years of effort on range research in the State agricultural experiment stations from Federal and non-Federal funds. Under budget constraints we have maintained the level of the formula funds. The formula funds give the States the responsibility and the opportunity, since they are on the scene of the action to make the decision on research priorities. They can emphasize rangeland research if they feel the need supports it.

PROGRAM REDIRECTIONS

Senator BURDICK. I understand the Agricultural Research Service plans to close and consolidate the activity of several of its research centers. Can you explain to the committee which centers are slated for closing and how the decisions are made? I am particularly interested in the Northern Plains Soil and Research Center in Sidney, Mont., which is right across the western border of the great State of North Dakota.

Dr. KINNEY. Mr. Burdick, let me first make a general comment; then I will ask Dr. Army, my deputy, to comment further. If you want a list of specific locations, we can provide it now or we can provide the listing for the record.

Senator BURDICK. Yes; and we want to know why.

Dr. KINNEY. We will provide a list and why for the record.

[CLERK'S NOTE.—The information referred to above appears on pages 709–11.]

Dr. KINNEY. During the formulation of the fiscal 1983 budget, in consultation with the Secretary's Office, we were asked to address the issues expressed regarding the inefficiencies in ARS because of locations not being adequately staffed. With the limitation on personnel, the limitation on funding, the criticisms from OMB, from OTA, from the General Accounting Office, that did a major study on our facilities, it was made clear we would have to look at closing some locations and combining other locations to make our research more efficient and reduce our overhead costs.

SOIL AND WATER RESEARCH CENTER—SIDNEY, MONT.

With respect to Sidney, let me ask Dr. Army, who is familiar with the details at Sidney, to address that briefly.

Dr. ARMY. Senator, the program at Sidney as a soil and water program on dry land added little to the irrigation program. Our intent was to move it to the Mandan station in North Dakota. The soil and water work and some of the rangeland work would be transferred to the Mandan station and to the Miles City station, and we didn't feel we could justify under the present arrangement to continue the Sidney location since it is only 240 miles away.

Senator BURDICK. I understand that Sidney takes in a wide area, particularly in parts of South Dakota and part of Wyoming, and it deals with a particular problem. I think you call it saline seep.

Dr. ARMY. Yes; but we feel the saline seep research has been completed, and it is now a matter for the Extension Service in Montana and probably North Dakota and the Soil Conservation Service to get the farmers acquainted with the production practices that will at least minimize the saline seep problem. We don't believe you can cure it. You can only minimize it.

Senator BURDICK. But, as I understand, Sidney is not limited to that type of research; it goes wider. It deals with the soils in that particular area.

Dr. ARMY. It is certainly a large area, Yellowstone Valley and the range area of that part of Montana. We are confident we can service those areas from Miles City. The range research which we intend to strengthen and the water and conservation research and forest crop research provided at Mandan would improve the effectiveness of our total program in the Northern Plains.

Senator BURDICK. Of course, I like to hear you mention Mandan.

Dr. ARMY. I tried to mention it several times. [Laughter.]

Senator BURDICK. Thank you very much.

That is all, Mr. Chairman.

Senator COCHRAN. Senator Abdnor?

WELCOME TO DR. BENTLEY

Senator ABDNOR. Thank you, Mr. Chairman. I am sorry I am late. I particularly wanted to welcome Dr. Bentley. He and I grew up not too far apart in South Dakota. I remember when he was at South Dakota State University, and he had to operate on a very meager budget. I was on the appropriations committee in the State legislature. We hated it when we lost him, but I guess it was their gain. I can assure the Senators of one thing; you have a gentleman here who knows rural America. Dr. Bentley grew up under rural traditions.

I have several concerns regarding agricultural research. As a longtime farmer, I know the benefits of research. I remember how it helped me and my farm business. It doesn't appear that agricultural research will fare well in the 1984 budget. I hope we look them over very carefully, because agriculture is suffering like it hasn't in a long time. Net income in real dollars is worse today than it was in the thirties, and that is pretty bad, as Dr. Bentley knows. We have crops today that would do better during a drought because of research.

LARAMIE BEE LABORATORY

I am concerned about the rationale behind the proposed moving of the Laramie bee laboratory to Tucson. We talked about this last year. Mr. Chairman, I think that we established last year that this subcommittee didn't want to see the lab moved, but it appears we are being ignored. Aren't they planning to move this bee lab to Tucson? What do they expect to accomplish by that? As I understand it, basically, Wyoming is one of the only pesticide-free areas that you can carry on the research you want to do. The last that I have heard, your employees in Wyoming have been told that they have to make a decision whether they want to move or not by May 1, and they will be down there by June 27. Is there something to that, or is that all rumors I have been hearing?

Dr. KINNEY. No; they are not, Senator. Again, we are very much aware of the instructions that we receive from the Senate, but we also are very much aware of the instructions that we receive from the

Department, from OMB, from OTA and the General Accounting Office, which included the study of the bee research program. We had less than efficient programs at Laramie, at Madison, Wis., and at Tucson and in Louisiana at Baton Rouge.

Senator ABDNOR. Have you been doing pesticide research in four different locations?

Dr. KINNEY. Not the same research, but research related to the bee, either with respect to pollination or honey production. The decision was made to close the Laramie location and combine it with the Tucson facility. We are also transferring bee research from Madison, Wis., to Tucson, Ariz. We think we can address the problems in the northern climates with respect to pollination, pesticides, and honey production and diseases of bees from Tucson, perhaps cooperatively with these other locations. I would like to ask Dr. Knipling if he would make a comment. I am not an expert on bees. He is not either, but he is more knowledgeable than I. Dr. Knipling?

Dr. KNIPLING. I would just reinforce what Dr. Kinney has already said. We feel the efficiency of the research program itself can be increased by consolidating these programs at Tucson, and also be operationally efficient from a management point of view within the agency.

OPPOSITION OF THE HONEY INDUSTRY

Senator ABDNOR. Why did a large portion of the honey industry oppose it? Is it a parochial thing? Do you think they don't know what they are talking about? There is a lot of concern among the beekeepers. Can Tucson do everything that we can up in the northern climate?

Dr. KINNEY. Senator Abdnor, within the last week I met with two groups representing honey producers and other interested parties. You are right; they don't support the move from Laramie, but they do acknowledge that Tucson is not as efficient as it should be. These groups would like to have several research locations throughout the country addressing the bee problems. They want a location in Oklahoma; they want a strong program in Arizona, and they also want a strong program in the North. My answer to them was, and they accepted it ultimately, that we in ARS need to look at the total efficiency of our programs, because we are just not getting as much done by having our resources spread out over several locations. If we have the opportunity to expand bee research, it should be done through cooperative grants with the universities in those respective States, rather than having ARS try to support three, four, or five locations inadequately.

Senator ABDNOR. How would that work? Would it be a joint effort then?

Dr. KINNEY. It would be a joint effort. If funding is available from ARS, we would effect a cooperative agreement with the university to carry out a particular portion of the research. We do this frequently in essentially all of our research. If additional funds were made available, they could go directly to the university through a special agreement to conduct research. I believe that is where the expansion in bee research in the future lies, not with ARS maintaining locations that are less than adequate.

Senator ABDNOR. Thank you.

Senator COCHRAN. Senator Chiles?

IMPACT OF REDIRECTIONS IN FLORIDA

Senator CHILES. Thank you, Mr. Chairman.

Recently, we notice that your Department has announced a major reorganization of the agricultural research effort. In my home State of Florida, you are planning to close the sugarcane research station at Belle Glade and the citrus research station at Lake Alfred. I also understand you ceased Federal participation in the SWAP program at Fort Pierce. I am sure you can imagine the concern of the citrus and sugarcane industries over these actions.

How many personnel are being relocated from Florida, and what amount of money are you saying will be saved by these actions?

Dr. KINNEY. Mr. Chiles, I don't have that exact figure at hand. I am confident again Dr. Knipling or Mr. Victor can provide that, but let me make a general comment to your concern.

With respect to Fort Pierce and the SWAP program at that location, we are not going to terminate that program completely. We will be providing input and leadership from Gainesville for that program. As I understand it, the two people who remain there are considering retiring very shortly. The State people and our own people agree the SWAP program should be terminated at Fort Pierce and the effort directed to another location.

With respect to Belle Glade, we have the same situation in looking at a number of other locations. We feel it is more important for that effort to be directed elsewhere.

MECHANICAL HARVESTING OF SUGARCANE

Senator CHILES. At Belle Glade we are talking about mechanical harvesting of sugarcane. You are going to direct the mechanical harvesting of sugarcane from where?

Dr. KINNEY. No; I am sorry, I misled you. We are not going to be continuing our research on the mechanical harvesting of sugarcane.

Senator CHILES. Then you have determined we don't have a problem in Florida, that we don't need to work toward mechanical harvesting, and that we are going to have an adequate labor supply from now on.

Dr. KINNEY. I would like to have either Dr. Knipling or Dr. Army address that further, but I think that our general conclusion was that if it is to be continued, it should be conducted by industry or by the State universities.

Senator CHILES. Well, why can't we say that about honey and pecans? Why can't we say that about potatoes, grapefruit, and everything else in our bag up here? All that could be done by private industry; couldn't it?

Dr. KINNEY. There is some research that can be performed by private industry when it reaches a certain point.

Senator CHILES. Do you think we are at the point with mechanical harvesting where private industry is ready to take it over?

Dr. KINNEY. I think we may be at that point, Senator, where it no longer fits the mission of the Federal research agency. I believe that is the basic conclusion. We do have problems, for example, but we haven't simply looked at the citrus industry or the sugarcane industry. As far as the citrus people are concerned, we are transferring two scientists to Florida to conduct research in other areas of higher priority. In realining our programs, we are having to close some activities, but we are at the same time reinforcing others. We are moving some citrus research to Orlando and to Winter Haven, because we think there are serious citrus problems that need the attention of the Federal establishment. I will ask Dr. Army to comment.

Dr. ARMY. The primary equipment industry in the United States has asked us to get out of the development equipment business; that is industry's concern. We feel cane harvest is a very localized problem and, as Dr. Kinney stated, we can perform the engineering research at the University of Florida. We have only about $200,000 for this project, and it doesn't seem to be a very profitable way for us to spend our money.

CONSULTATIONS WITH INDUSTRY PEOPLE REGARDING REDIRECTIONS

Senator CHILES. Did you discuss this with the cane people down there?

Dr. ARMY. They are aware of the situation.

Senator CHILES. Do they think the University of Florida or private industry will pick this up?

Dr. ARMY. They would like to see more money spent by somebody.

Dr. KINNEY. Perhaps, Senator, I should make a comment. On any of these redirections or closeouts, we have talked with the industry, and we have talked with the local people. But the basic facts are, they will not say yes, close it out. I think you would be expecting the impossible if you would go there and say, "We will close out. Will you support it?" With every situation we negotiate as far as we can with them. We have to develop a compromise or negotiate on something. And that is what we have tried to do in this case.

Senator CHILES. Well, Mr. Chairman, I can't find from my conversations that there were any consultations with the industry people, either citrus or cane, and there certainly, as far as I know, were no consultations with the Congress. The SWAP program was sponsored by Senator Holland, my predecessor, to develop data on problems regarding water use and damage in the production of citrus on flat wood soils. We consider this project tremendously important. One of our bigger cash crops now is the export of citrus to Japan, and certainly, we consider cane very important. I look forward to discussion of these things as we go forward in marking up the bill.

I have some other questions. I will submit them for the record.

[CLERK'S NOTE.—Senator Chiles' additional questions appear on pages 812–17.]

PRIOR CONSULTATION WITH CONGRESS REGARDING CLOSING FACILITIES

Senator COCHRAN. Senator, thank you very much.

I think this conversation and this line of questioning by both the Senator from Florida, the Senator from South Dakota, as well as the Senator from North Dakota, about the closing of these facilities and these laboratories illustrate the problem that we run into when there is no prior consultation with the Congress. You mentioned talking to local interests, to university people, to industry representatives, and the like, but there wasn't any discussion at all with members of the staff of this committee or any one of the Senators who are directly interested in these programs about what the intentions of the Service were. We got an after-the-fact notification in January that these labs were being closed, and one that was identified by Senator Abdnor—the Laramie bee lab at the University of Wyoming—was discussed last year, and we specifically wrote in language in the committee report, which I will read. "The committee also recognizes that pesticide research is very important to the honey industry and, therefore, directs the ARS to continue operation of the Laramie bee lab at the University of Wyoming." Now, we are seeing that the personnel at the laboratory have been notified they are going to get to move to Tucson, that there is a consolidation of activity occurring in that laboratory effort, and that there is a discussion about maybe having the States or industry do it all by themselves.

I think the fact is we carefully considered that and we discussed it with people downtown. It was the conclusion of this committee that that laboratory be kept in operation and that it was in the national interest to keep it open. I think that is one thing that illustrates why the committee is a bit aggravated.

There was a letter, for instance, written earlier this year about these various closings in the research area. It was signed by the chairman of our full committee, the ranking minority member, Senator Stennis, myself as chairman of the subcommittee, and Senator Eagleton as the ranking member of the subcommittee, and indicated that we needed to discuss these matters and have some consultation. We received a response saying, basically, that the decisions had already been made.

Senator CHILES. Mr. Chairman, I think you got a very frank answer when the gentleman stood up and said, "We look to the administration." They don't care about the Congress. We are supposed to just sign the check and send the money, and they do with it exactly as they wish to.

Senator COCHRAN. Well, I think the committee is making it clear that that is not acceptable, and we will try to spell out some of our decisions in a little clearer language, if we can find clearer language than what I just read. An exclamation point maybe instead of a period might help.

I am going to ask this letter and the response that we received from the Secretary of Agriculture be put in the record at this point to illustrate our continuing concern.

[The letters follow:]

LETTER FROM SENATORS HATFIELD, COCHRAN, STENNIS, AND EAGLETON

FEBRUARY 4, 1983.

Hon. JOHN R. BLOCK,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: It has recently been brought to our attention that consideration is being given to redirecting approximately 10 percent of the current research funding of the Agricultural Research Service and, in so doing, close out 10 research locations.

Although we recognize the prerogative of the executive branch to administer programs as they see fit, the Congress reviewed and approved a budget for the Agricultural Research Service for fiscal year 1983 with a clear understanding as to the prioritization of research areas and the funding for those areas. The fiscal year 1983 budget documents provided the Appropriations Committee did not reflect a redirection nor lab closures.

To undertake a significant redirection effort without first informing the committee as to how this would impact on the research program spelled out in the President's budget which we approved, and without affording us the opportunity to review and seek comment on this proposal, is a serious breach of courtesy to this committee and to the budget review process.

We note that the recent review of the Federal agricultural research facilities completed by the General Accounting Office recommended that the appropriate committees of Congress be consulted on proposals to consolidate agricultural research activities. We agree with this recommendation.

We would appreciate it if you would provide the committee with a detailed summary as to what research programs are being considered for redirection; how this proposal will impact on the funding levels approved for research areas by the conference committee on the fiscal year 1983 Agriculture, Rural Development and Related Agencies appropriations bill; and a full justification for these proposals.

Sincerely,

MARK O. HATFIELD,
Chairman.

THAD COCHRAN,
Chairman, Subcommittee on Agriculture, Rural Development, and Related Agencies.

JOHN C. STENNIS,
Ranking Minority.

THOMAS F. EAGLETON,
Ranking Minority, Subcommittee on Agriculture, Rural Development, and Related Agencies.

LETTER FROM JOHN R. BLOCK

MARCH 7, 1983.

Hon. THAD COCHRAN,
Chairman, Subcommittee on Agriculture, Rural Development, and Related Agencies, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of February 4, 1983, regarding Agricultural Research Service (ARS) redirections for research programs.

The concept of the redirections was a result of extensive reevaluation by ARS of research programs and identification of priority research areas. Each year ARS reevaluates some of its research programs as a standard management function to determine the effectiveness of the research and financial justification for the programs. In the recently published report by the Government Accounting Office (GAO), and in a report published by the Office of Technology Assessment (OTA), ARS was criticized for failing to fully utilize research facilities. The reports suggested that ARS consolidate some of its programs in order to strengthen research and to make better use of some of its facilities.

The proposed closures to which you refer are the result of the Department's efforts to consolidate and prioritize agricultural research work. Although further redirections at other locations are proposed, these location closures are the only ones which are recommended under the current plan.

Due to the enormous time involved in assessing our research programs, no final conclusions could be reached until recently. As a result, no mention of the redirection was made in the fiscal year 1983 budget requests because, at that time, no plan had yet been developed. There is also no reflection of the redirections in the fiscal year 1984 budget requests for the same reason. If there are no delays in the implementation of the plan, the redirection effort should be complete by the end of the current fiscal year.

We recognize that the ARS plan is a significant effort. It was never our intention to ignore Congress before implementing our redirections. Representatives of the Office of Congressional Relations and the Office of the Assistant Secretary for Science and Education did advise affected Members of Congress of the location closures prior to the notifications being given to the employees at the facilities. In addition, on February 8, Assistant Secretary Orville G. Bentley, ARS Administrator Terry B. Kinney, and ARS staff conducted briefings for Senate and House staff members on the nature of the redirections plan as well as the ARS long-range plan.

As you have requested, we are enclosing for your information background material relating to the redirections, impact of the funding levels for research, and justification for these proposals.

Sincerely,

JOHN R. BLOCK, *Secretary.*

[CLERK'S NOTE: The committee was officially informed of the proposed laboratory closings only after initiating inquiries with the Department of Agriculture. The above-mentioned briefings occurred subsequent to the committee's original inquiries.]

REDIRECTION OF SORGHUM RESEARCH

Senator COCHRAN. You mentioned the harvesting of sugarcane and the research in that area. In Mississippi there is a sorghum research laboratory at Meridian that is among those facilities that is being closed. The program definition is sweet sorghum breeding. Where will research of that kind be done? Is the sorghum farmer going to have to do without the benefit of that research, or will there be new plants developed in some other facility? And if so, where?

Dr. KINNEY. Mr. Chairman, Meridian was obviously not the only location involved in sorghum breeding, but again, I would like to ask Dr. Knipling to respond and then, perhaps, Dr. Thomas, the Administrator of CSRS, could address sorghum breeding in the States.

Dr. KNIPLING. Mr. Chairman, the sweet sorghum program at Meridian has generated a lot of new varieties, a lot of germplasm. This material will be maintained at the University of Georgia Agriculture Experiment Station, and that material will be available to growers and farmers on request.

Senator COCHRAN. Will there be continued development of new seeds and germplasm and the like in the future?

Dr. KNIPLING. No; there will not.

Senator COCHRAN. How will that slack be taken up? Isn't that continued plant development necessary? It has to be done by somebody somewhere; doesn't it?

Dr. THOMAS. I do not have the exact dollar amount of research that is going on at State agricultural experiment stations, but there are several States that do have projects or parts of projects in development of new sorghum varieties.

Senator COCHRAN. And this is being done by whom?

Dr. THOMAS. By the State agricultural experiment stations. In total, agricultural experiment stations have 66.3 scientist-years of effort in grain sorghum research.

Senator COCHRAN. Well, your budget, though, is coming under the gun for an awful lot of deep cuts.

Dr. THOMAS. The formula funds are held constant. The cuts are coming in the special research grants.

Senator COCHRAN. Would any of these special grants be for projects like this?

Dr. THOMAS. None of the special research grants are specifically for sorghum. The particular projects I referred to have been done principally as a part of the regular program from Hatch or State funds depending upon the needs of the individual State.

REDIRECTION OF SUGARCANE PROGRAM

Senator COCHRAN. Isn't one of the important activities in the sugar area the continued development of new plants and varieties in sugarcane? Are there any closings of labs or redirection of emphasis that would eliminate the activity in that kind of research by ARS?

Dr. KINNEY. Yes; we are closing some research, I think about a $324,000 project in Hawaii, and transferring those funds to research on the Medfly, on the tri-fly problem. Again, I think Dr. Army can respond to the justification or the reasoning for that transfer. Dr. Army?

Dr. ARMY. We have met with the Hawaiian sugar planters, and we are looking at redirection of the program. They agree we don't need to be in the plant breeding for sugarcane, because we have smut-resistant cane. That program can be phased out. We are also going to be looking at soil and water problems relating to sugarcane in Hawaii.

Getting back to the sweet sorghum, we think there are more important programs in the South. What we are going to do is close out sweet sorghum and transfer about $200,000 to the forage program in Mississippi and $41,000 for the germplasm program. We think it is a matter of priority.

Getting back to sugar crops, you are familiar with the corn sugars and what the impact of that is—sucrose. We don't think there is a big future in sweet sorghums. It is a local problem, and the States are better equipped to handle it. Our regular sorghum breeding germplasm is a separate issue. The sweet sorghum is a separate part of that.

SUGAR CROPS GERMPLASM

Senator COCHRAN. I went down to Louisiana and had a look at some of the research activities at a plant at Crowley and learned, as a result of that visit, that farmers in the area depended quite a bit on the development of varieties, seeds and new plantings at that facility. I was wondering whether or not sorghum was in the same category. I am not an expert in sorghum, as Dr. Kinney said he wasn't in honey, but I know how to eat syrup. I hope this is not going to mean we are going to see the good syrup in Mississippi and the Southeast just disappear and become a matter of the past if we don't have somebody developing the new plantings that I understand are necessary to have a continuing agricultural resource there.

Dr. KINNEY. Mr. Chairman, that is one of the reasons the germplasm that we have developed is being preserved at one of our locations and made available to State breeders or industry to continue the development. As Dr. Army pointed out, it is not our intention, nor will we pull the rug out from any research without first discussing it with the industry and finding out whether or not they aqree and if there are higher priority problems we can move to, such as the sugarcane situation in Hawaii.

CONGRESSIONAL NOTIFICATION OF REDIRECTIONS

Senator COCHRAN. I hope it has become clear this morning that it might be appropriate in the future that there be consultation with the committee on closings of these laboratories and research facilities. For instance, in the situation that was referred to about the allocation of resources to other activities in a State, I don't think there is going to be any objection to that. I just want to be sure we are not going to have some important activities fall through the cracks, or that there be a neglect of emphasis that is going to result in some real serious problems later on.

We are seeing the relocation of some fire ant research from Mississippi to Gainesville, Fla. As long as we continue to do the research, that is the important thing. But the committee may have a difference of opinion occasionally about one or more of these laboratories. When we can have an opportunity to discuss it, I don't think you will find the committee to be unreasonable. But it is a matter of serious irritation to the committee when the consultation process is completely ignored, and the committee is advised after the fact that its language in its report has been completely disregarded, without even the courtesy of notification that there is a serious disagreement with it. I don't think we can tolerate that.

Dr. KINNEY. Mr. Chairman, your message is very clear and duly noted.

SUBMITTED QUESTIONS

Senator COCHRAN. Dr. Kinney, several members of the subcommittee and I have additional questions. We shall submit them to you in writing and request that you respond for the record.

Dr. KINNEY. We shall be happy to do so.

[The following questions were not asked at the hearing but were submitted to the Agricultural Research Service for response for the record:]

QUESTIONS SUBMITTED BY SENATOR COCHRAN

FUNDING FOR AGRICULTURAL RESEARCH

Question: The U.S. food and agricultural research system is built around (1) USDA's Agricultural Research Service (ARS), (2) the State Agricultural experiment stations, and (3) the food and fiber industries which generally perform proprietary applied research and development.

ARS's budget has grown to almost a half billion dollars. The Federal Government provides $200 million to the states through Hatch formula funds and other research monies in CSRS, including special competitive researh grants.

ARS has recently issued a strategic plan as the basis for its research program for the next several years.

Is the requested funding adequate to carry out our research needs delineated in the plan?

Answer: The long-range plan assumes a level funding posture in real terms and the need to adjust resources according to national priorities. Our research budget has been about the same level of funding, on a constant dollar basis, since 1966.

Question: The General Accounting Office (GAO) recently issued a report on ARS research facilities which indicated that such facilities are under-utilized. What action is ARS taking or planning to consolidate or close unneeded facilities?

Answer: ARS has initiated a long-range plan that will address the needs of agricultural research priorities. This plan will address the resources available for research being emphasized and de-emphasized. Along with program adjustments and consolidations decisions will be made as to where the research will be most appropriately housed. It is likely that additional facilities may be closed.

Question: Are Federal and State funds, including Hatch formula funds, adequate to enable our State experiment stations to perform needed research?

Answer: With State budget constraints in the major agricultural States, and Federal Hatch Act funds for fiscal year 1984 proposed at the fiscal year 1983 appropriated level, some States probably will have to reduce or delay lower priority research efforts. However, we expect that the State agricultural experiment stations funding will be at a level adequate to maintain their highest priority research thrusts.

Question: Virtually every major agricultural state in the U.S. is undergoing state budget reductions. State agricultural research funds are being reduced, yet there is a recognized need to strengthen our research capability. What steps should be taken to safeguard the nation's agricultural research capability?

Answer: The unique Federal-State research partnership has played a major role in the outstanding successes achieved in meeting the varied needs of American agriculture. We are aware that most of the major agricultural States are experiencing State budget reductions while at the same time there is need for total Federal budget restraint. To safeguard this important component of the Nation's agricultural research capability, the Executive Budget has recommended to the Congress that the FY 1983 level of funding be maintained for FY 1984 for the Hatch, the McIntire-Stennis Cooperative Forestry and the Colleges of 1890 and Tuskegee Institute formula funded programs. In times of extreme budget constraints, it is important to maintain these base programs thereby providing maximum flexibility to maintain research programs at these institutions. We want to keep operations in the States stable. This is done through the formula funded programs.

Question: The State experiment stations currently perform most of the nation's basic research in agriculture. Why were increases for basic research limited to the USDA-Agricultural Research Service?

Answer: Increases for basic research are proposed for fiscal year 1984 for both the Agricultural Research Service and the Cooperative State Research Service. Funding for CSRS provides for an increase of $4.5 million for basic animal science research under the Competitive Research Grants program. This program permits broad participation by scientists in the States. In fiscal year 1982, 60% of the funding for grants awarded under the program went to land-grant universities.

ARS depends completely on Federal funding to maintain its scientific excellance. Adequate funding from this single source is critically needed to sustain ARS's ability to resolve urgent national research concerns.

AGRICULTURAL COLLEGE RESIDENT INSTRUCTION PROGRAMS

Question: How much importance do you place on the agricultural college resident instruction programs in helping fulfill USDA Science and Education objectives? What are the major problems facing resident instruction programs as they try to produce the requisite agricultural expertise at both the undergraduate and graduate degree levels?

Answer: Historically, agricultural schools and colleges have served as the Nation's major producer of food and agricultural expertise. While other types of teaching programs produce graduates with related expertise they are not prepared to assume responsibility for producing the Nation's essential critical mass of food and agricultural expertise. Hence, colleges of agriculture are a vital link in the Science and Education system.

Future efficiencies in the U.S. agriculture and food system will be largely dependent upon the strength of the agricultural higher education system to produce high quality human resources with scientific expertise in the food and agricultural sciences. The U.S. food production and delivery system utilizes nearly 23 percent of the U.S. labor force. Some 3.3 million are currently involved in farm production and an additional 20 million are employed in scientific, processing, manufacturing, transportation, sales, and technical service functions. The strategic importance of an efficient food production and delivery system warrants national policies and programs that will assure continual development of human capital to refine and operate the system.

Currently, there is growing evidence of deficits of college-educated agricultural scientists, technical representatives, educators, administrators, producers, managers, financial advisers, and other professionals in both the public and private sectors. A 1980 U.S. Department of Agriculture study projects the overall average annual demand for college graduates in the food and agricultural sciences to exceed the available supply by almost 15 percent. In some occupational categories, however, the shortages are far more severe. Demand for manufacturing and processing scientists and engineers exceeds supply by 18%, and demand for agricultural administrators, managers, and financial advisers exceeds the supply by 30%. This USDA study may understate the severity of the problem. An especially short supply of individuals with advanced preparation--master's and doctoral degrees--is expected to be available for required research, professional, and managerial positions in agriculture throughout the decade. Furthermore, more than 30 percent of U.S. graduates with advanced degrees in the food and agricultural sciences are foreign nationals on temporary visas. Unless reversed, these trends will severely impede future U.S. agricultural efficiencies.

Question: During the current administration, USDA Science and Education agencies have made no requests for support of agricultural college instructional programs authorized under Section 1418 of the 1981 Farm Bill. Please explain why?

Answer: Budgetary constraints have not permitted the Department to request direct funding for enrollment stimulation via targeted fellowships and strengthening grants. However, maintaining Department research competency depends upon a continuing infusion and updating of scientific expertise into the Department's food and agricultural research system. There is an opportunity for a Federal initiative to stimulate the development of scientific expertise while at the same time, enhancing Department research capabilities for the future. We, therefore, requested as part of our FY 1984 budget an increase of $500,000 for postdoctoral fellowships in the food and agricultural sciences. The funds requested will be used to support approximately twenty scientists accepted for postdoctoral training under the direction of ARS scientists working on mission-oriented basic research at a Federal laboratory. The postdoctoral program will strengthen the Department's research capabilities by providing increased opportunities for postdoctoral scientists to introduce new ideas and approaches which will complement and challenge the experience and expertise of agency researchers.

GRADUATE HIRING AND FELLOWSHIPS

Question: How many new Ph.D. graduates were hired during Fiscal Year 1982 by the Agricultural Research Service and the state agricultural experiment stations to conduct Federally sponsored agricultural research?

Answer: The Agricultural Research Service during 1982 hired approximately 34 new Ph.D. graduates. There are no data available on the number of new Ph.D. graduates hired during Fiscal Year 1982 by the State Agricultural Experiment Stations to conduct Federal sponsored agricultural research. However, growing shortages of Ph.D. graduates in key areas, disproportionate numbers of current faculty members approaching retirement, lack of financial incentive associated with college faculty positions compounded by financially lucrative positions with industry, large numbers of nonresident aliens and of non Ph.D. graduates required to staff present day faculties--these and other factors are converging so as to severely impede the qualitative and quantitative status of college and university faculty responsible for training the Nation's food and agricultural expertise and for conducting university research.

Question: Leading scientific organizations and educational authorities have strongly recommended competitive graduate fellowships to encourage the development of scientists in disciplines such as plant and animal molecular genetics. Why were these recommendations not addressed in the Fiscal Year 1984 Science and Education budget request?

Answer: Financial constraints have made it difficult, if not impossible, to implement new programs.

PROJECTED RETIREMENTS

Question: How many agricultural scientist retirements are projected during the next five years in the Agricultural Research Service and the state agricultural experiment stations which conduct Federally sponsored agricultural research?

Answer: We have no data on the States, however, over the next five years we anticipate that 846 scientists will be eligible to retire from the Agricultural Research Service. The numbers eligible to retire each year, on a cumulative basis, are as follows:

NUMBER OF ARS SCIENTISTS ELIGIBLE TO RETIRE OVER THE NEXT FIVE YEARS

Year	Cumulative Projected Retirements	
1983	409	
1984	488	
1985	557	
1986	656	
1987	751	
1988	846	TOTAL

AGRICULTURAL COLLEGE TEACHING PROGRAMS

Question: If Congress were to reduce Fiscal Year 1984 Science and Education Agency budget requests and direct some resources to help support expertise development activities of agricultural college teaching programs, where would you suggest the reductions be made:?

Answer: The fiscal year 1984 budget represents the best views of this administration as to the proper mix of priorities for Science and Education activities. Even with a tight budget situation, we have requested an increase of $500,000 in FY ´84 to initiate a program to stimulate expertise development in support of the Department´s research programs.

GYPSY MOTH RESEARCH PROJECTS

Question: Four agencies APHIS, USFS, ARS, and CSRS, are currently conducting gypsy moth research projects. How are these projects coordinated? How does USDA prioritize gypsy moth control research needs? How is unnecessary duplication avoided?

Answer: A variety of mechanisms are used to ensure that research projects are properly coordinated and that inappropriate duplication is avoided. Until the present time the USDA Gypsy Moth Steering Committee has convened representatives of the various agencies two or more times per year. Research programs and plans have been reported and discussed at all meetings. In response to a directive from the House Appropriations Committee the Steering Committee will be abolished and replaced with a USDA Gypsy Moth Working Group under the Department's Natural Resources and Environment Committee of the Secretary's Policy and Coordination Council. Membership on the Working Group will include APHIS, FS, ARS, CSRS, ES, and the National Gypsy Moth Management Board which represents nonfederal gypsy moth concerns.

Both the Executive Committee and the Research and Development Committee of the National Gypsy Moth Management Board are concerned with research. The Executive Committee initiated a strategic planning process in November 1981. The Research and Development Committee developed several proposals for refocusing the overall research effort. In addition, the Management Board sponsors an annual meeting known as the National Gypsy Moth Review. CSRS provided the leadership in forming the Cooperative Regional Project NE-143 on the Behavior and Interrelationships of the Gypsy Moth, its Natural Enemies and Insecticides. In September 1982, the ARS program was reviewed by an expert panel. During this review representatives of FS, APHIS, and various universities discussed their programs. Finally, ARS and APHIS representatives meet annually to update a document that relates ARS research to a priority listing of APHIS needs.

Duplication is avoided by maintaining communication with all research performers by utilizing the above mechanisms, contacts between scientists during professional society meetings, and by communications between scientists on an as needed basis. The Current Research Information System administered by CSRS is a valuable resource in providing information on what is planned and underway in research. Research projects initiated by ACS, ARS, CSRS, ERS, FS, State agricultural experiment stations and other cooperating institutions are entered into CRIS. This information is available to assist in the development of research priorities, assess needs and identify areas of possible duplication.

Since the conclusion of the Expanded Gypsy Moth R&D Program there has not been an overall USDA prioritization of gypsy moth control research needs. However, each USDA agency develops a prioritized list of research projects in consultation with the other agencies and with input from users.

BUDGET REQUEST

Question: The President's budget request for ARS of $470,410,000 is $11,590,000 above the Fiscal Year 1983 appropriation, including supplementals. For the record, please provide a synopsis of how this increase will be utilized.

Answer: The President's budget request includes an increase of $750,000 for basic research in animal genetic engineering and manipulation of genetic technologies to control diseases and parasites and to improve animal productivity. The budget request contains an increase of $1,250,000 for basic research on plant genetic engineering to improve plant productivity through enhancement of crop yield and resistance to insects and other pests. An increase of $500,000 is provided to strengthen the research capabilities of ARS through a postdoctoral fellowship program. The budget provides $1,000,000 for basic research on host-pest interaction and bioregulation to control postharvest losses and enhance the quality and value of exports. It also contains $550,000 to develop mechanisms of degradation and stabilization of products for export. An increase of $1,200,000 is requested for research on nutrition needs of the elderly; infants, women during pregnancy and lactation; nutrition status assessment; and nutrition requirements and relationships to health. A request is also proposed for $6,938,000 for annualized and absorbed pay increases needed to conduct our research programs.

ARS RESPONSIBILITY FOR HIGHER EDUCATION

Question: In your budget request, you ask for new language authorizing ARS to conduct higher education activity. This request is precipitated by an administrative reorganization transferring responsibility for higher education to ARS.

What did the transfer entail?

Answer: When the Director of Science and Education was replaced by the Assistant Secretary for Science and Education, the authority for higher education programs was redelegated by the Secretary from the Director to the Administrator of the Agricultural Research Service.

Question What specifically are ARS's new roles?

Answer: The Office of Higher Education provided national focus and leadership to address major priorities pertaining to the training of food and agricultural scientists and professionals prior to its transfer to the Agricultural Research Service. These functions are being maintained.

Question: Since new authority is being sought, has legislation been introduced or requested to be introduced?

Answer: Section 1417 of P.L. 95-113, as amended provides broad authority to the Secretary to conduct a higher education program. The Secretary has delegated this authority to ARS. The proposed change on the ARS appropriation language would recognize this fact.

Question: Are there additional costs associated with the transfer?

Answer: The costs of administering higher education programs by the Agricultural Research Service are projected to be the same as they were under the Director of Science and Education.

HIGH PRIORITY RESEARCH

Question: Please summarize for the committee the items of highest priority research within each major mission area (plant, animal, soil and water, post harvest, and nutrition).

Answer: The highest priority research approaches in the six major ARS program areas are:

Soil and Water. Basic technology for resource assessment, base data for land/water systems analysis and predictive modeling, and programs to improve management of water resources and minimize plant stress.

Plant Productivity. Acquisition and maintenance of the genetic diversity of plants, beneficial organisms, and pest species; basic studies on genetic engineering and biology of plants, beneficial organisms and pests; fundamental aspects of crop growth, yield barriers, and management methods.

Animal Productivity. Basic studies, at biochemical and physiological levels, on controlling genetic variation; basic research on improving genetic resistance of animals to diseases and parasites; basic studies on increasing reproductive efficiency; mechanisms of nutrient absorption and synthesis of protein and fat; genetic manipulation of pathogens for controlling and preventing disease; and integration of efficiency elements of animal production into total management systems.

Post-harvest. Basic mechanisms controlling quality characteristics of marketed products and of means for their genetic and internal control; basic studies on mycotoxin prevention and elimination; basic studies on microbial spoilage agents and pathogen-host associations for preventing contamination; new utilization approaches for exploiting biotechnological advances, adding dollar value, and expanding markets; basic studies of host-pest interactions for reducing losses; basic mechanisms of biodeterioration in harvested plant and post-slaughter animal materials; export grading; and insect and microbial barriers to export.

Human Nutrition. Determination of bioavailability of food nutrients and of nutrient requirements for infants, children, and adolescents; nutrition/aging relationships; data bases for improving evaluations of nutritional status.

Integration of Systems. Assimilation and integration of biological and physical research data into systems for analyzing complex interactions of two or more research areas; for example, animals, plants, and environment. Provision of bases for problem identification and development, and validation of predictive models.

AQUACULTURE

Question: The Committee continues to recognize the importance of aquaculture as a source of food and as an area for increased private investment. In the Committee's report (S. Rept.97-566) accompanying the Fiscal Year 1983 appropriation bill (H.R. 7072), the Committee expressed its interest in the publication of the National Aquaculture development plan mandated by the National Aquaculture Act of 1980 (P.L. 96-362).

Has that plan been completed and published?

Answer: No. The National Aquaculture Development Plan will be completed in early May.

Question: If so, please provide a brief summary of its contents.

Answer: Final copy not available at this time. When available, copies will be provided to the committee at that time.

Question: What is ARS doing to assist the Department of Commerce and the Department of the Interior in developing coherent national policy to govern the development of aquaculture in the U.S.?

Answer: The ARS coordinator for aquaculture research, along with other USDA agency coordinators, works with and is in communication with the USDA coordinator for aquaculture programs. He also serves on the Joint Subcommittee for Aquaculture, currently chaired by Fish and Wildlife, Department of Interior. ARS staff is available to work cooperatively with other agencies of USDA, the Department of Commerce, and the Department of Interior whenever new initiatives are indicated.

TCK SMUT

Question: In discussions with Chinese officials, I have learned that China continues to refuse to receive shipments of U.S. wheat from ports on the Northwestern seaboard because of China's fear that the shipments may be contaminated with TCK smut. What is being done to eliminate smut itself, and to eliminate the fear of the Chinese?

Answer: We are optimistic that recent research results combined with a planned trip by an ARS scientist to the People's Republic of China will end the embargo on U.S. wheat to the PRC. There is evidence that the smut fungus is already endemic to China. If this is true, the Chinese are expected to drop the embargo. The USDA-ARS scientist, in cooperation with Chinese scientists, will look for this disease in China in specific areas and valleys based on satellite photos. The U.S. Wheat Associates and ARS are contributing to this project. The Wheat Associates also are planning a conference this fall with the Chinese to address the export issue. We doubt that this fungus will be totally eliminated from the U.S.; however, our research has now shown that we can dramatically reduce the disease incidence by adapting several cultural practices, e.g., growing resistant varieties, fungicide treatments, and other practices.

PROPOSED "REDIRECTION" OF RESEARCH PROJECTS

Senators Hatfield, Stennis, Eagleton, and I recently wrote to the Secretary expressing our concern over ARS's "redirection" of Federal research priorities, especially the closing of 10 laboratories. I ask that the letter and the Secretary's reply be placed in the record at this point.

LETTER FROM SENATORS HATFIELD, COCHRAN, STENNIS, AND EAGLETON

Honorable John R. Block
Secretary of Agriculture
Washington, D. C. 20250

February 4, 1983

Dear Mr. Secretary:

It has recently been brought to our attention that consideration is being given to redirecting approximately 10 percent of the current research funding of the Agricultural Research Service and, in so doing, close out 10 research locations.

Although we recognize the prerogative of the Executive Branch to administer programs as they see fit, the Congress reviewed and approved a budget for the Agricultural Research Service for fiscal year 1983 with a clear understanding as to the prioritization of research areas and the funding for those areas. The FY 1983 budget documents provided the Appropriations Committee did not reflect a redirection nor lab closures.

To undertake a significant redirection effort without first informing the Committee as to how this would impact on the research program spelled out in the President's budget which we approved, and without affording us the opportunity to review and seek comment on this proposal, is a serious breach of courtesy to this Committee and to the budget review process.

We note that the recent review of the Federal agricultural research facilities completed by the General Accounting Office recommended that the appropriate committees of Congress be consulted on proposals to consolidate agricultural research activities. We agree with this recommendation.

We would appreciate it if you would provide the Committee with a detailed summary as to what research programs are being considered for redirection; how this proposal will impact on the funding levels approved for research areas by the conference committee on the FY 1983 Agriculture, Rural Development and Related Agencies Appropriations Bill; and a full justification for these proposals.

Sincerely,

Mark O. Hatfield, Chairman

John C. Stennis
John C. Stennis, Ranking Minority

Thad Cochran
Thad Cochran, Chairman
Subcommittee on Agriculture,
Rural Development, and Related
Agencies

Tom Eagleton
Thomas F. Eagleton, Ranking Minority
Subcommittee on Agriculture,
Rural Development, and Related
Agencies

Letter From John R. Block

Honorable Thad Cochran
Chairman, Subcommittee on Agriculture,
 Rural Development, and Related Agencies
United States Senate
Washington, D.C. 20510

March 7 1983

Dear Mr. Chairman:

This is in response to your letter of February 4, 1983, regarding Agricultural Research Service (ARS) redirections for research programs.

The concept of the redirections was a result of extensive reevaluation by ARS of research programs and identification of priority research areas. Each year ARS reevaluates some of its research programs as a standard management function to determine the effectiveness of the research and financial justification for the programs. In the recently published report by the Government Accounting Office (GAO), and in a report published by the Office of Technology Assessment (OTA), ARS was criticized for failing to fully utilize research facilities. The reports suggested that ARS consolidate some of its programs in order to strengthen research and to make better use of some of its facilities.

The proposed closures to which you refer are the result of the Department's efforts to consolidate and prioritize agricultural research work. Although further redirections at other locations are proposed, these location closures are the only ones which are recommended under the current plan.

Due to the enormous time involved in assessing our research programs, no final conclusions could be reached until recently. As a result, no mention of the redirection was made in the FY 1983 budget requests because, at that time, no plan had yet been developed. There is also no reflection of the redirections in the FY 1984 budget requests for the same reason. If there are no delays in the implementation of the plan, the redirection effort should be complete by the end of the current fiscal year.

We recognize that the ARS plan is a significant effort. It was never our intention to ignore Congress before implementing our redirections. Representatives of the Office of Congressional Relations and the Office of the Assistant Secretary for Science and Education did advise affected Members of Congress of the location closures prior to the notifications being given to the employees at the facilities. In addition, on February 8, Assistant Secretary Orville G. Bentley, ARS Administrator Terry B. Kinney, and ARS staff conducted briefings for Senate and House staff members on the nature of the redirections plan as well as the ARS long-range plan.

As you have requested, we are enclosing for your information background material relating to the redirections, impact of the funding levels for research, and justification for these proposals.

Sincerely,

John R Block

John R. Block
Secretary
Enclosure

PROPOSED "REDIRECTION" OF RESEARCH PROJECTS

Question: The appropriation made to ARS for Fiscal Year 1983 was carefully scrutinized by the Committee, and the research priorities were set out in the bill or in report language. Throughout calendar 1982, ARS knew of the possibility of some changes, which, in fact, were finally decided upon in December, 1982. It was not until late January, 1983, that we got the final word about changes. Never was this Committee given the opportunity for review or comment on any proposals.

This, to me, is at the very least a breach of courtesy to the Senate. You should be aware of GAO's recommendation and this Committee's interest that the appropriate committees of Congress be consulted on proprosals to consolidate the agricultural research activities. For the record, let it be clear that prior consultation -- not notification after-the-fact--is what this Committee expects.

First of all, I am very concerned about the approach the Department took in dealing with the lab closings. You apparently chose to "inform" Congress after the fact, rather than consult with appropriate Senators and staff before making your decisions. Consequently, Committee and personal staffs were blind-sided by questions, without any idea you even had any closings in mind.

Why was there no prior consultation with appropriate Senators and staff?

Answer: Representatives of the Office of Congressional Relation and the Office of the Assistant Secretary for Science and Education did advise affected members of Congress of intended ARS location closures prior to the notifications to be given to the employees at the facilities. Further, the Assistant Secretary for Science and Education and the Administrator of ARS staff provided briefings for Senate and House staff members on the nature of the redirections plan and the ARS long-range plan.

Question: Even if there happens to be ultimate agreement by the Congress on the merits of your proposed closings, do you not think it the better practice to consult with Congress before-hand?

Answer: Yes sir. We believe a more thorough dialogue could have been developed on this subject.

Question: In his response to our letter, the Secretary states there was no intention to ignore Congressional intent. However, in at least one case, ARS was specifically directed to maintain a research activity. How do you explain ARS action against Congressional intent?

Answer: This action was recommended on the basis of management efficiencies as well as to improve the national bee research program effectiveness. We strongly believed that the action taken was in the best interest of a national bee research effort serving the American public and the users.

Question: What is the status of all proposed closings?

Answer: We are moving forward to close several research locations to increase the efficiency and effectiveness of our national research program. Those locations impacted are located at: Indio, California; Belle Glade, Florida; Lake Alfred, Florida; Chicago, Illinois; Minneapolis, Minnesota; Gulfport, Mississippi; Meridian, Mississippi; Laramie, Wyoming; Sidney, Montana and Jeanerette, Louisiana.

Question: Please provide a listing of all closings proposed and a detailed explanation of the rationale for each.

Answer: Yes sir: (The listing follows:)

Indio, California:

The citrus and date research programs have been in support of the California and Arizona industries for many years and many problems have been solved. While this research could continue to be justified, there is a greater need to study the basic aspects of plant bioregulators. Research on the presence, function, and use of natural plant hormones will lead to a better understanding of control mechanisms that affect plant growth, flowering, fruiting, fruit maturity, plant dormancy, cold hardiness and other economic factors.

Belle Glade, Florida

This is a closeout of research that has potential of being done by industry. Redirected resources will be used to develop a coordinated, inter-disciplinary research program which will develop sound conservation-production systems for the Mississippi Delta.

Lake Alfred, Florida:

This action would closeout a small research location. The proposed redirection of funds would be used to develop machinery and crop production systems to improve yields and conserve natural resources.

Chicago, Illinois:

This is a marginally funded program at this location. Redirected funds will be used to define the kinds of enzymes excreted by fungal and bacterial pathogens and their individual importance in causing softening and deterioration of plant tissue.

Minneapolis, Minnesota:

This is a marginally funded hydrology program at Minneapolis. Redirected funds will be used to upgrade the hydrology program at Stillwater.

Gulfport, Mississippi:

Consolidation of this research at Gainesville would take advantage of better research facilities, provide the opportunity for a concentrated research effort on industry problems and day-to-day interaction between research scientists, make more efficient use of existing research funds, provide better overall direction and management of the program, and allow for concentration on the more basic aspects of research which would lead to improved control measures of this widespread insect pest.

Meridian, Mississippi:

The Department has had a sweet sorghum breeding program for many years and has introduced disease-resistant, high-yielding varieties which are now in commercial production. With the introduction of these varieties and the uncertainty of the future of sorghum syrup as a source of sugar, there is a reduced need for a continuation of this research.

Laramie, Wyoming:

The consolidation of honeybee research at Tucson, AZ will take advantage of better research facilities, provide the opportunity for a concentrated research effort on industry problems and day-to-day interaction between research scientists, make more efficient use of limited research funds, provide better overall direction and management of the program, and have the research located closer to the center of honey production.

Sidney, Montana:

This is a closeout of a marginally funded soil and water program at this location. Funds at this location will be redirected to strengthen remaining Soil and Water national research.

Question: What is the status of the two proposed lab closings that the Committee was advised recently are "on hold?" (In Montana and Ohio.)

Answer: We have advised the Congress and personnel that we plan to move forward with the closure of our Sidney, Montana soil and water laboratory. No decision has been made with respect to the Department's Delaware, Ohio facility.

PROPOSED "REDIRECTION" OF RESEARCH PROJECT

Question: As for the "redirection" of research projects, we are apparently looking at a major set of proposals that will have significant impact on USDA research activities, not only over the next 6 years, but far beyond.

How were these plans developed?

Answer: We are interpreting your question to refer to the ARS long-range program plan. Initially, over 500 ARS scientists identified the full array of agricultural technical problems and research needs appropriate to the ARS mission. The ARS senior staff consisting of about 100 program leaders and administrators systematically evaluated these needs and compared them with existing ARS programs to determine the highest priority research approaches at four different potential funding levels. Based upon our own knowledge of short and long-term agricultural needs and with guidance from the Secretary's office, the USDA-S&E Joint Council on Food and Agricultural Sciences and Users Advisory Board, the Office of Science and Technology Policy, the Office of Technology Assessment, and other organizations and study groups, the top ARS program leaders rebalanced the distribution of existing ARS resources among the six ARS objectives or major program areas. Based on anticipated constant level funding in the next 6 years, this rebalancing of the program results in some program areas being emphasized and others deemphasized in accordance with the highest agricultural science needs identified by ARS senior staff.

Question: Who was involved in their development?

Answer: As explained more fully in the answer to the previous question, over 500 ARS scientists and 100 ARS senior program leaders and administrators were involved in the development of the ARS program plan.

Question: What, if any, Congressional input did you have? Was there any prior consultation? If not, why?

Answer: The concept of the ARS program plan was established in 1981 in response to broad guidance received from OTA, GAO, and members and staff of Congress on the need for long range ARS planning and for increased research emphasis on some program areas. There was no prior consultation with the Congress with respect to these plans.

Question: What is the rationale for these proposals?

Answer: The planned program redirections in the long range plan are traceable to ARS's need to respond to the nation's increasing agricultural research needs and a changing agency role. With constant dollar budgets ARS must shift resources to higher priority research areas at the expense of some existing programs judged to be relatively lower priority. The planned increased ARS emphasis on soil and water conservation, commodity conversion and delivery, human nutrition, and integration of agricultural systems and the corresponding planned decreased emphasis on plant and animal productivity is based on the following factors:

- Production by U.S. agriculture exceeds current domestic needs.
- The United States is facing an indefinite period of surpluses of major agricultural commodities.
- The U.S. agricultural products are losing competitiveness in world markets.
- New products are needed for American farm commodities to more successfully compete in world markets.
- Lower production costs are needed for American farm products.
- The U.S. natural resource base is declining.
- Increased emphasis is needed on basic science in agriculture to replenish the dwindling store of basic knowledge.
- More ARS emphasis is needed on fundmental and applied research to increase efficiency of production.

- o Integrative systems research is needed to improve the efficiency of U.S. agriculture.

- o Improved human nutrition is a national priority.

The plant and animal productivity research program will decrease from 60 to 52 percent of the total ARS programs. The productivity programs that remain will in part be refocused to production efficiency studies and to fundamental approaches to real agricultural problems where the existing knowledge base is inadequate to develop solutions. This will help insure that ARS will contribute to both the short-term need for lowering costs of farm production and to the anticipated long-term demands for increased food and productivity.

Question: When do you expect them to be implemented?

Answer: The program shifts called for in the ARS 6-year plan will be implemented incrementally over the period 1984 to 1990. We expect that approximately equal increments of 3 percent or $15 million of the existing ARS program will be shifted in each of the 6 years.

Question: Will the Committee receive a reprogramming request associated with the proposed changes? If not, why?

Answer: The Department believes it is not necessary to submit a formal reprogramming request concerning redirections planned at this time. The proposed changes are well within prescribed limitations set by the Congress and there have been briefings by agency and department personnel with Congressional representatives interested in the program changes. This informal consultation process will continue.

SIX-YEAR IMPLEMENTATION PLAN

Question: I notice a significant reduction in the emphasis given research on plant productivity. What is the justification for this reduction? Is this proposal in any way a reaction to the current state of overproduction and surplus stocks in the domestic farm scene?

Answer: There are many research needs in the broad field of food and agriculture and ARS must direct its effort to the highest priority of these needs. Currently, 40 percent of the ARS program is in the plant productivity area, portions of which are considered lower priority relative to other needs. ARS plans to shift 18 percent of the plant productivity program, that is reduce it from 40 to 33 percent of the total program, in order to meet its obligations to address the highest priorities in the program areas of soil and water conservation, commodity conversion and delivery, human nutrition, and integration of agricultural systems. The reduction in plant production research will not reduce crop surpluses and overproduction on the farm scene, but an acceleration of post-harvest research is expected to help reduce marketing barriers and otherwise increase the competitiveness of farm products in both domestic and foreign markets.

Question: What exactly is encompassed in the "Six-Year Implementation Plan?"

Answer: The six-year implementation plan is a reflection of the priority setting process adopted by ARS in which the full array of scientific opportunities appropriate to ARS are systematically evaluated with respect to current programs and a complex set of criteria including Administration policies, Congressional guidance, Agency policies, agricultural needs, and societal needs. The plan states broad program targets, in terms of areas of emphasis and deemphasis, for the period 1984 to 1990, relative to the current profile of ARS programs. The plan does not specify projects, locations, or commodities that will be emphasized or deemphasized. These actions are to be determined in a follow-up activity termed operational planning.

Question: I am particularly interested in your claim that the "ARS Redirections Program" will help increase exports. How will it accomplish that role? Is the export goal tied to your new emphasis on "value-added products?" Please explain.

Answer: Yes, the increased export goal is tied to the emphasis on "value-added products." A major reason for the reduced demand for American farm products abroad is their relatively high costs in foreign markets. By reducing post-harvest costs and increasing the quality of American products through research and technology, such as improved grades and reduced losses, these products are expected to increase our competitive edge in value-added products and increase farm income. More specifically, we expect to emphasize the following research approaches to help increase both domestic and foreign markets for agricultural products: Basic mechanisms controlling quality characteristics of marketed products and of means for their genetic and internal control; basic studies on mycotoxin prevention and elimination; basic studies on microbial spoilage agents and pathogen-host associations for preventing contamination; new utilization approaches for exploiting biotechnological advances, adding dollar value, and expanding markets; basic studies of host-pest interactions for reducing losses; basic mechanisms of biodeterioration in harvested plant and insect and microbial barriers to export.

Question: You also state that "Redirections" will help conserve resources and increase productivity. Please explain how.

Answer: Two major areas of emphasis for ARS programs in the period 1984 to 1990 are soil and water conservation and integration of agricultural systems. By developing new technology to protect and improve our natural resource base now we preserve the capacity and potential for sustained and increased productivity in the future. Also, by better understanding the complex interactions of biological and physical systems through prediction modeling, we improve the decision making capability of American farmers to optimize production efficiency now and in the future. Within the crop and animal productivity research areas, ARS will place renewed emphasis on fundamental approaches to problem solving so as to increase our knowledge base for significant advances and breakthroughs in the future to meet expected increased domestic and export demands for American farm products. INSTRUCTIONS

Question: Dr. Kinney, you have been quoted as saying that Redirections "will help improve human nutrition." How will this be accomplished?

Answer: Human nutrition research is another major area for increased emphasis in ARS. Whereas ARS currently devotes only 7 percent of its total resources to this program, we feel that the 10 percent target is the more appropriate balance in view of the tremendously important nutritional needs that must be met in the American society. Specific program areas of emphasis will include determination of bioavailability of food nutrients and nutrient requirements for infants, children, and adolescents; nutrition/aging relationships; and technologies for improved evaluations of human nutritional status.

Question: What is the total dollar figure being redirected in Fiscal Year 1984? For the next 5 out-years?

Answer: The ARS implementation plan calls for a total internal shift of $75 million in constant dollars over the 6-year period 1984 to 1990. Based on the 1982 budget of $413 million, this shift amounts to only 18 percent of the total program. We have not yet completed the operational planning phase of the Program Plan and, thus, do not yet know the schedule of specific shifts. However, assuming the program changes are in equal increments, we would expect about a 3 percent or $15 million shift over each of the 6 years beginning in FY 1984.

Question: What, if any, personnel impact will the program changes have?

Answer: We expect to have as many scientists and support staff in the future as we have today. As we shift program directions, some staff will be assigned to new projects and may have to relocate. For the most part, we will need the same scientist disciplines as now represented on the staff. Training opportunities will be provided, as necessary, to scientists assigned to new projects. As normal attrition occurs, vacant positions will be filled with the new scientific talent necessary to address new program areas of emphasis.

RESEARCH FACILITIES

Question: How many research facilities (labs) does USDA currently operate?

Answer: ARS conducts research in 111 ARS owned laboratories and 34 non ARS owned facilities.

UTILIZATION OF FACILITIES

Question: What percentage of space in these facilities is presently utilized by ARS? By Non-ARS scientists.

Answer: The percentage of space utilized in ARS owned and operated facilities at 111 locations is presently at a level of 85% occupancy. Included is approximately 13% utilization by Non-ARS scientists.

Question: Please provide a listing of all facilities, location capacity, present occupancy (ARS - Non-ARS).

Answer: Provided is a table reflecting capacity and occupancy of all ARS facilities. (The information follows:)

STATUS OF STAFFING OF AGRICULTURAL RESEARCH SERVICE FACILITIES
As of October 31, 1982
(Expressed in terms of scientific personnel)

Location	Total Capacity (Scientist)	Total in Use (Scientist)	Percent Staffed
Alabama:			
Auburn	14	14	100
Arizona:			
Phoenix	35	27	77
Tucson	30	30	100
California:			
Albany	180	140	78
Fresno	32	32	100
Pasadena	19	19	100
Riverside	28	28	100
Salinas	20	18	90
San Francisco	18	11	61
Shafter	13	10	77
Colorado:			
Denver	10	10	100
Ft. Collins	30	30	100
District of Columbia	35	31	89
Florida:			
Gainesville	62	58	94
Miami	11	7	64
Orlando	22	19	86
Winter Haven	16	12	75
Georgia:			
Athens	118	111	94
Byron	24	14	58
Dawson	15	10	67
Savannah	38	23	61
Tifton	27	27	100
Watkinsville	18	11	61
Hawaii:			
Honolulu	11	11	100
Idaho:			
Dubois	10	7	70
Kimberly	27	27	100
Illinois:			
Peoria	180	168	93

Location	Total Capacity (Scientist)	Total in Use (Scientist)	Percent Staffed
Iowa:			
Ames	130	115	88
Kansas:			
Manhattan	47	25	57
Louisiana:			
Baton Rouge	10	10	100
Houma	12	11	92
New Orleans	155	140	90
Maryland:			
Beltsville	592	529	89
Frederick	26	23	88
Hyattsville	10	10	100
Michigan:			
East Lansing	11	8	72
Minnesota:			
Morris	15	11	73
Mississippi:			
Oxford	29	24	83
State College	35	35	100
Stoneville	55	41	75
Missouri:			
Columbia	17	17	100
Montana:			
Miles City	10	10	100
Sidney	11	6	55
Nebraska:			
Clay Center	67	36	54
New York:			
Plum Island	53	39	74
Ithaca	22	17	77
North Carolina:			
Oxford	16	9	56
Raleigh	24	24	100

Location	Total Capacity (Scientist)	Total in Use (Scientist)	Percent Staffed
North Dakota:			
Fargo	50	50	100
Grand Forks	20	20	100
Mandan	21	21	100
Oklahoma:			
Durant	22	20	91
El Reno	17	12	71
Stillwater	15	15	100
Woodward	10	7	70
Oregon:			
Pendleton	14	14	100
Corvallis	12	12	100
Pennsylvania:			
University Park	23	23	100
Wyndmoor	170	137	81
Puerto Rico:			
Mayaquez	12	10	83
South Carolina:			
Charleston	14	14	100
Florence	29	15	52
South Dakota:			
Brookings	15	11	73
Texas:			
Brownsville	15	7	47
Bushland	28	22	79
College Station	50	48	96
Kerrville	19	17	89
Temple	28	27	96
Weslaco	36	29	81
Houston	21	21	100
Utah:			
Logan	20	20	100
Washington:			
Yakima	22	14	64
Wenatchee	15	11	73
West Virginia:			
Beckley	20	12	60
Kearneysville	20	15	75
Wisconsin:			
Madison	19	9	47

Location	Total Capacity (Scientist)	Total in Use (Scientist)	Percent Staffed
Subtotal, (75 Locations with capacity of 10 or more scientists)..	3,147	2,678	85
All other locations (36 with capacity of less than 10 scientists).........	182	142	78
Total, Federal Facilities.........	3,329	2,820	85

Number of Non-ARS Scientists included above......	417
Number of ARS Scientists included above:	
ARS Senior Scientists (GS-11 and above).........	2,206
ARS Junior Scientists (Below GS-11)............	197
Total......................................	2,820

FACILITIES

Question: What are the reasons for the underuse of these facilities?

Answer: Funding has been inadequate to staff research facilities at optimum levels. The agricultural research program has been funded at about the same level, in constant dollars, since 1966. During this time many new research facilities have come on line.

Budgetary constraints and reduced Federal spending necessary for economic recovery have and will continue to limit funding and staffing for these facilities. The implementation of the ARS long-range plan will aid in identifying and emphasizing the research and facilities necessary to carry out priority research needs.

PROPOSED "REDIRECTION" OF RESEARCH PROJECTS

Question: Will there be future closings associated with "Redirections?" Please provide details that are now known. (If further facilities were to be closed, list, in order, the labs which would be discontinued and which would be consolidated).

Answer: Beyond the specific redirections already announced and scheduled for FY 1983, we have not yet determined any future program or location closings associated with the 6-year implementation plan.

Question: What types of research would be affected if these activities were eliminated?

Answer: Programs to be deemphasized will include those that are largely applied and of limited geographic or economic significance. As ARS moves toward fewer locations, each with a larger critical mass of scientists, we will reduce the number of small programs and locations such as those that involve only one or two scientists. Within the six major ARS objectives, the program areas targeted for deemphasis are:

Soil and Water. Land shaping, engineering-structure development, field evaluation of structures, groundwater recharge, irrigation-hardware development, water-harvesting programs, and municipal and waste utilization.

Plant Productivity. Varietal breeding, selected small-commodity programs, location-specific cultural and management practices, pollination and honey production, applied engineering development of equipment for crop production and protection, control of pests with limited geographic or economic significance, applied research on technology for agricultural chemicals, and programs with little potential economic impact.

Animal Productivity. Development and field testing of killed and attenuated vaccines, applied insect-control systems, waste management, applied selection and mating programs, and nutrient-limitation work.

Post-harvest. Food composition, regulatory approvals and registrations, applied product and process improvement, inherent toxic-factor identification and screening, physical losses, and identifiction of systems inefficiencies.

Human Nutrition. Nutrient requirement of adults and nutrient composition of foods.

Integration of Systems. Rural housing, small-scale farming, organic farming, tropical agricultural systems, and energy.

Question: Will Congress have an opportunity to review or comment on any such plans before they are implemented?

Answer: Yes, Congress will have an opportunity to review the plans.

Question: Is the 6-year plan in harmony with long-term program plans announced by ARS in January, 1983?

Answer: Yes, the 6-year plan is in harmony with the plans announced in January 1983.

Question: In justifying the 6-year plan, ARS states that the plan "reflects the perception by ARS, of the short-term goals of the administration and the Congress." What are the specific goals referenced, and their sources?

Answer: The 6-year Implementation Plan properly balances research activities among the six major ARS program areas. The current and anticipated U.S. production capability through the 1980's is in excess of domestic needs and export sales, as evidenced by surpluses and declining competitiveness of U.S. products in foreign markets. ARS' plan deemphasizes near-term production increase research on the one hand, and emphasizes agricultural product use on the other. The Department's goal of reconciling the surplus production problem by means of the Payment in Kind (PIK) program and the farmer's positive response to PIK is public knowledge. Increased emphasis in human nutrition research reflects the will of the Congress as evidenced by ARS allocations and directives over the last 3 years. National concern with resource conservation, as reflected by the Resource Conservation Act, is supported by increases in soil and water conservation and systems integration. Program redirections within each of the major program areas emphasize fundamental approaches to problem solving and deemphasizes research better done by the private sector. This reflects policy guidance from the Office of Science and Technology Policy and the Office of Technology Assessment that more fundamental research is needed to replenish the knowledge base and increase the efficiency of agriculture over the long term.

Question: Currently, there is approximately $19.5 million in the ARS, USDA Delta States Area Research Center at Stoneville. 38% or $7.5 million is in the plant protection approach at Stoneville. It has been estimated that if the proposed shift took place, approximately $2.9 million would be lost in the plant protection area. How can we afford less protection in those areas which prevent losses caused by insects, nematodes, pathogens, and weeds?

Answer: The funds you cite are the total funds for the Delta States area including, Mississippi, Louisiana, and Arkansas. Current funding for Stoneville, Mississippi is $6,499,900. The Six Year Implementation Plan is based on the assumption that resources available to ARS will not increase during the period FY 1984 to FY 1990. In view of current crop surplus, there is a need to expand research on product use, human nutrition, and on soil erosion control. Expanded research in these areas can only be accomplished by reducing research on crop production and crop protection in the short term. As national research priorities shift and resources become available, we may be able to resume at current or expanded levels of research to prevent losses caused by insects, nematodes, pathogens, and weeds.

In the short term interim, we will use the funds and scientists available to specifically redirect our crop protection research in such a manner as to minimize risk of losses from insects, nematodes, pathogens, and weeds. The Operational Plan to initiate the Six Year Implementation Plan nationwide and specifically for Stoneville, Mississippi, has not yet been completed. Therefore, the figures cited in your question may undergo modification prior to implementing the Operational Plan.

WORLD FOOD NEEDS IN 2000 A.D. AND THE 6-YEAR PLAN

Question: In the U.S. preharvest losses to pests are estimated to be about 37%, even with the use of modern pest control technology. Insects account for 13% of the loss, plant pathogens 12 percent, and weeds 12%. Post-harvest losses to pests are estimated to be about 9%.

In order to hold world food supplies at 1975 levels through the year 2000, it is projected that world agriculture will need to provide a 66% increase in legumes, a 100% increase in other vegetables, and a 75% increase in cereals. In view of a potential world food shortage after the year 2000, why would we enter a 6-year program during 1984 that would shift research resources away from plant productivity which is the centerpiece and bedrock of the research efforts making agriculture efficient enough to supply commodities in the year 2000 for a hungry world?

Answer: The 6-year Implementation Plan is intended to meet the most pressing short term needs as well as to lay the foundation for meeting potential shortfalls in world food production that may occur near 2000 A.D. The most pressing immediate needs are to increase research on product use in domestic and foreign markets, to define and provide for optimum human nutrition, and to slow the loss of nonrenewable soil and water resources that will be a major limiting factor in the future. It is only by shifting the more or less fixed ARS resources away from applied, short term crop production objectives, that we may be able to meet both these immediate needs as well as to provide a better foundation for meeting world demand that will begin to fully engage our entire available land base around 2000 A.D. We believe the best way of meeting the most pressing immediate needs as well as the long term needs is to reprogram the resources as displayed in the Plan. Resources reprogrammed to soil and water conservation and product use research continue to contribute significantly to increased productivity through maintenance and improvement of the natural resource base and reduction of post-harvest losses.

ADEQUACY OF COTTON INSECTS CONTROL RESEARCH IN 6-YEAR PLAN

Question: Cotton insect research is conducted at eight locations by about 49 scientists at the present time:

Phoenix, Arizona	9.0
Tuscon, Arizona	3.0
Mississippi State, Mississippi	15.0
Stoneville, Mississippi	7.5
Raleigh, North Carolina	1.0
Florence, South Carolina	5.0
Brownsville, Texas	4.5
College Station, Texas	4.0
Total	49.0

Under the proposed 6-year plan, there would be a 47% reduction in resources or possibly 23 scientists eliminated in cotton insect research.

Mississippi will be particularly affected by these reductions. We estimate that of the 22.5 scientists in the plant productivity approach 10.5 scientific years would be lost. In view of the fact that insect and mite control in cotton alone cost area farmers on the average of $50 per acre, would not this type of reduction be economically unsound and a reversal of previous policy of the ARS?

Answer: ARS has not yet completed the operational plan phase of the long-range program plan. Thus, it is too early to know what projects and locations will be affected. In general we do not expect an across-the-board or prorata deemphasis in productivity research at all locations. Strong critical-mass science centers will be maintained at some locations. As some scientific effort is redirected away from the traditional productivity research areas, it is important to remember that much will be refocused on soil and water conservation, integration of agricultural systems, and reduction of post-harvest losses, all of which have a direct bearing on maintaining and enhancing productivity. With respect to research on cotton insects, ARS has provided leadership in this area for the past several decades. However, the level of effort in the State Agricultural Experiment Stations has gradually been strengthened and it is now equivalent to about 40 full time scientists. In addition, there have been major research developments in technology for either managing or eradicating the boll weevil, and for managing the pink bollworm. Synthetic pyrethroid insecticides have been developed for controlling the bollworm and additional materials should be available soon. Short season and resistant cotton cultivars are becoming increasingly available. Computer based predictive models are coming into use for managing various cotton insects. As these research developments become more widely adopted, insect losses can be expected to diminish. The remaining ARS effort along with that of State and industrial scientists is expected to be adequate to reduce losses further and to prevent or offset the obsolence of control methods and systems.

CONSISTENCY OF DR. BENTLEY'S VIEWS AND 6-YEAR PLAN

Question: In a speech to the "Beltwide Cotton Production-Mechanization Conference," in San Antonio on January 5, 1983, Dr. Orville Bentley stated that one of the research priorities relating to cotton would be "reducing insects, weed and disease losses, and control cost in cotton without sacrificing health and environmental quality." He further added, "As we look to the future, Secretary Block supports the testing and expansion of area-wide cotton insect management trials and programs throughout the Cotton Belt. Any departmental position on program direction will include discussions with State Departments of Agriculture, State Agriculture Experiment Stations, the Cooperative Extension Service and growers organizations. This will be a total cooperative venture."

Was Dr. Bentley aware of the content and initiatives of the 6-year plan at the time he made these remarks? If so, how do you explain the apparent contradiction?

Answer: The 6-year Implementation Plan had not been drafted at the time that Assistant Secretary Bentley addressed the conference in San Antonio on January 5, 1983. Nevertheless, we feel that the 6-year Plan and the priorities outlined by Dr. Bentley are essentially in agreement. Currently, the level of research effort in ARS and in the State Agricultural Experiment Stations on cotton pests is roughly as follows:

	Weeds	Diseases	Insects	Total
SAES	6	24	40	70
ARS	7	13	49	69
Total SY	13	37	89	139

Proposed redirections in ARS when viewed in the context of the total industry-state-federal effort will not seriously weaken the overall cotton protection program. Moreover, there have been very substantial practical research accomplishments during the past decade that have yet to be fully implemented through educational and action programs. Considerable new research will continue on cotton. The overall deemphases in productivity research, as classified in Objective 2 of the ARS Plan, is only 18 percent of existing programs. Within the programs that remain, there will be a net increase in fundamental research on insect biology which is expected to contribute significantly to cotton as well as problems in other commodities. Furthermore, much of the scientific effort directed away from traditional productivity areas will be focused on soil and water conservation, integration of agricultural systems, and reduction of post-harvest losses, all of which have a direct bearing on maintaining and enhancing productivity. As specific program changes that affect cotton research are formulated, the plans will be discussed with our cooperators.

DEVELOPING AND APPROVING OPERATIONAL PLANS

Question: The 6-year plan outlines shifts "in resources" by objective and approach elements. Research is currently conducted by location within work reporting units and by Current Resource Information Source work units.

Under the new proposal, how will the resource shifts be implemented, and who will make these decisions?

Answer: The details involved in proposed resource shifts in the 6-year plan are being developed through a team effort involving the entire ARS senior staff. This includes ARS Headquarters staff, the National Program Staff, Regional Administrators, and Area and Center Directors. After a plan of the details of the proposed resource shifts has been drafted, the draft plan will be discussed with State and industry cooperators. Before any changes in program are implemented our intentions will be discussed with appropriate offices in the Senate and in the House of Representatives.

PRE-DOCTORAL/POST-DOCTORAL FELLOWSHIPS

Question: The Agricultural Research Service Fiscal Year 1984 request includes a line item for post-doctoral fellowships. Recommendations of leading scientific organizations and educational authorities suggest that pre-doctoral fellowships are more critically needed than post-doctoral support. Why were these recommendations not addressed in your request?

Answer: The postdoctoral fellowship program is intended to strengthen the Department's research capabilities by providing an infusion of new ideas to complement and challenge ARS researchers. This will ultimately stimulate the development of centers of excellence at those laboratories selected as hosts. We recognize that there are needs in addition to those we are attempting to address here, however budgetary constraints do not permit us to request additional support.

SHORTAGE OF AGRICULTURAL SCIENTISTS

Question: Several recent USDA studies forecast growing shortages of agricultural scientists and professionals in several key disciplines. Now that ARS has been delegated the authority by USDA to assume the lead agency role for higher education programs, what major thrusts have you initiated to stimulate adequate production of Ph.D. graduates in key scientific disciplines?

Answer: ARS is endeavoring through a variety of ways to stimulate the development of food and agricultural expertise and to strengthen the college and university programs which are producing the Nation's graduates in the food and agricultural sciences. In addition to maintaining an on-going manpower assessment program which develops supply/demand projections on a continuing updated basis, ARS-OHE has initiated several projects aimed at strengthening higher education in food and agriculture. These projects respond to priority needs identified by the education community. They include a national curriculum assessment, a faculty development initiative, and development of a national information system to facilitate improved higher education analysis and planning. Additionally, ARS-OHE is working jointly with cooperators to pursue changes in data bases maintained by other Federal agencies (e.g., Department of Education, Department of Labor, National Science Foundation) to better meet the information needs of the Department and the univeristy community.

ARS has also identified an opportunity for a Federal initiative to stimulate the development of scientific expertise while at the same time, enhancing Department research capabilities for the future. We, therefore, requested as part of our FY 1984 budget an increase of $500,000 for postdoctoral fellowships in the food and agricultural sciences. The funds requested will be used to support approximately twenty scientists accepted for postdoctoral training under the direction of ARS scientists working on mission-oriented basic research at a Federal laboratory.

BUILDINGS AND FACILITIES

Question: Your budget request includes nothing for buildings and facilities. Yet, you are aware of Congress's interest in several projects. Why is there no request for funds?

Answer: Occupancy of Agricultural Research Service facilities has been at the 82-85 percent of capacity since 1978. Agency funding has been at about the same level, in constant dollars, since 1966. Budgetary constraints and reduced Federal spending will and must continue if the Nation is to have Economic Recovery. Funding and staffing restrictions will not allow us to satisfactorily operate additional facilities.

Also, it is important to note that both the Government Accounting Office and the Office of Technology have recently criticized the Department for underutilizing research facilities.

Question: What is the rationale for your rescission of $1.9 million for the Fiscal Year 1983 budget?

Answer: The Congress provided $1,927,000 in Fiscal Year 1983 to initiate/plan for three construction items whose total cost is expected to require at least $30 million.

Two of the construction items-the Small Farm Experiment and Demonstration Station and the Forage Seed Production and Research Center-would require an additional 15 scientist-years and related operating costs. These added costs would impair other ARS research projects in a time of severe staffing funding constraints. Department research facilities have been operating at 15-18 percent below capacity since 1978.

The third item, for the Old West Veterinary School, is intended to assure that adequate numbers of food-animal veterinarians are trained and available in the Old West Region. Data show that there is an adequate national supply of veterinarians. The distribution of graduate veterinarians, however, is predominately influenced by income level and work location. Constructing this facility, therefore, would be highly cost inefficient.

CHILDREN'S NUTRITION RESEARCH CENTER

Question: A good case can be made for new facility construction for the Children's Nutrition Research Center at Baylor University. The Committee has reviewed agenda and cost estimates, from time to time, but would appreciate your supplying us with an update of the best available estimates. But for OMB's refusal to approve any new construction starts, would ARS's position be to commence with the project as soon as possible? How does this project rate with ARS in terms of priority?

Answer: The current estimate for construction of this Center is $55 million, however we are reexamining the criteria for design and construction with the objective of lowering the costs for building this Center. With an acceptable construction cost outlay, the facility could be completed earlier, thereby enhancing the important nutrition research program to be undertaken at the Center. The Agency is pursuing this objective and will furnish this information as soon as it becomes available.

In the long run we envision this facility to be an integral part of the Department's nutrition research effort. However, we are currently under rigid financial constraints and cannot reasonably afford such an expenditure.

NATIONAL SOIL TILTH CENTER

Question: Senator Jepsen has brought to the Committee's attention his interest in and the need for the construction of a National Soil Tilth Center in Ames, Iowa. What is ARS's position on this proposal, and what would be the cost estimates and construction time-table for this project?

Answer: The Department does not recommend enactment of S. 94, a bill "To establish a soil tilth center at Iowa State University." We believe that such action is not justified in light of other competing needs for Federal research funds and the criticism provided by the

Government Accounting Office and Office of Technology assessment concerning underutilization of existing research facilities.

The bill would authorize an appropriation of not to exceed $12,500,000 for the construction of a center to be located at Iowa State University in Ames, Iowa.

The Department of Agriculture recognizes that soil tilth plays an important role in agricultural productivity and resource conservation. We are currently funding approximately $2,000,000 in intramural (that is, Federally conducted) research related to improving, maintaining, or restoring the physical conditions of soils. The Land-Grant Universities are conducting additional research related to soil tilth supported by both Federal and State funds.

The future scope of the Department of Agriculture's soil and research program must consider emerging national priorities and resource constraints. One of the Department's highest priorities in soil and water management continues to be improving our understanding of the relationship of soil physical, chemical, and biological factors to soil erosion and the long-term productivity of U.S. agriculture. The Department is presently conducting research aimed at identifying and quantifying the soil, crop, and climatic processes affecting erosion and productivity and integrating these processes into prediction procedures for use by decisionmakers. One major product of this research is the EPIC model (Erosion Production Impact Calculator) that will soon be delivered to the Soil Conservation Service for their use in predicting the consequences of successors now being developed will enable the Department to assess the appropriate balance of emphasis to be placed on soil tilth research via the other soil and water focused research, such as conservation tillage, concentrated flow erosion, or crop production systems for areas with limited water supply. In view of the high priority of these other research areas, the Department believes that use of Federal funds to construct a soil tilth laboratory at this time is not justified and therefore, opposes S. 94.

It is estimated that it would cost $10,200,000 to construct a National Soil Tilth Laboratory at Ames, Iowa. The design of a facility of this type is estimated at $700,000.

A time-table for the project would be as follows: three months to evaluate A/E firms and award A/E contracts; six to nine months for the design and completion of plans and specifications; three months to issue bids and award construction contracts and eighteen to twenty-four months for construction.

HUMAN NUTRITION LABORATORIES

Question: Your request for research on human nutrition is $29,042,000 --- $1.4 million above last year's request.

How will the additional amount be used?

Answer: The budget proposes a program increase of $1,200,000 for the human nutrition research program and $211,000 for the annualization of pay costs which were absorbed in FY 1983 but are necessary to carry out the program in FY 1984.

The FY 1983 House Report and Senate Report on Agriculture Appropriations directed that additional funds be made available for the operation of the Tufts Human Nutrition Center and the Human Nutrition Center at Grand Forks, North Dakota. Since Congress did not provide the funds to implement these directives, the Administrator has redirected funds to conform with Congress' intent. The Human Nutrition Center on Aging at Tufts University was allocated an increase of $3,300,000 and the Grand Forks Human Nutrition Center received a $1,700,000 increase.

Human Nutrition Research Center on Aging at Tufts University, Boston, Massachusetts. The requested increase will strengthen the research program developed thus far and will provide personnel and equipment for the new facilities scheduled to be completed in FY 1983. The program will include studies on the relationship of nutrition to vision during aging, the relationship of nutrition to hormone function, and the interactions between nutrition and drugs often taken by the elderly. New research programs will be coordinated with work at the National Institute of Aging and in other USDA and land-grant university laboratories. The research will be carried out by USDA scientists at the laboratory collaborating under a cooperative agreement with scientists from Tufts University and other universities within the geographic area which have related research interests.

Children's Nutrition Research Center at Baylor College of Medicine, Houston, Texas. Emphasis will be placed on determining the need for energy from food (calories) during pregnancy and lactation, as well as the need for energy for optimum growth and development during infancy. The effects of nutrition on physical and mental development in infants will also be explored. Work will take advantage of newly acquired equipment for determining energy expenditure and for tracing nutrients in the human body. This work will be coordinated with existing work in the Department of Health and Human Services.

Western Human Nutrition Center, San Francisco, California. Scientists of USDA laboratories in the Western Human Nutrition Research Center at the Letterman Army Institute of Research (LAIR) will collaborate under a cooperative agreement with scientists from the University of California. The approaches used in the research will include the study of human volunteers living under metabolic ward conditions as well as pilot field surveys designed to test methodology. In addition, metabolic studies will be conducted utilizing experimental models of animal function.

Grand Forks Human Nutrition Center, Grand Forks, North Dakota. The requested increase will be used to conduct studies to identify the metabolism and physiologic roles of trace elements, to characterize the consequences of trace element deficiencies and to define trace elments requirements for humans under conditions of stress and physical exercise.

Question: What will be the allotment of your request among the labs?

Answer: The allotment (net to location) of our request among the five major Human Nutrition Centers will be as follows:

Beltsville, MD	$7,051,400
Boston, MA (TUFTS)	$7,103,700
Grand Forks, ND	$5,346,400
San Francisco, CA (LAIR)	$3,322,600
Houston, TX (BAYLOR)	$2,950,400

FOOD AND FIBER ASSESSMENT

Question: The Food Act of 1981 (PL 97-98) contained language directing the Secretary to develop a long-term needs assessment for food and fiber and to determine the research necessary to meet those needs. What is the status of this assessment?

Answer: The responsibility for carrying out the needs assessment study has been assigned to the Joint Council on Food and Agricultural Sciences. The study got underway in September, 1982. It is separated into two major components.

I. Project Needs for Agricultural and Forestry Products:

- Project long-term needs for food, fiber, and forest products (global and domestic) out to the year 2000 and beyond.

- Examine the role which major variables can be expected to play in meeting those needs, i.e., condition and supply of natural resources, economic factors, institutional arrangements, environmental concerns, and technology.

II. Project Needs for Science and Education Programs:

- Identify long-term problems the United States is likely to encounter out to the year 2000 and beyond in meeting anticipated demand for food, fiber and forest products.

- Determine how research, higher education and extension programs can play a part in solving those problems.

The total effort is about 50% complete.

LARAMIE BEE LAB

Question: The Committee has received information from numerous beekeepers that the Laramie Bee Lab, scheduled for closing by ARS, is the sole research facility capable of conducting necessary research on the acarine mite. This pest is thought to be responsible for the destruction of commercially raised bees in Mexico, and, thus, may present an immediate danger to the beekeeping industry in the Southwestern United States.

If this information is accurate, how can the closing of the Laramie Lab be justified? Is there any other facility that can conduct work on this pest?

Answer: If the acarine mite spreads into the United States, it will be studied within the area of infestation. It is not now certain that field studies could be conducted at Laramie until the infested area included Wyoming and we would hesitate to delay studies of this pest until it is so widely distributed. ARS scientists at Beltsville, Maryland, are cooperating with the Animal and Plant Health Inspection Service to monitor bee colonies in the United States for early detection of any spread into the United States and ARS is now funding, through the Beltsville Laboratory, a cooperative project with the University of Maryland for the emergency identification of bee mites. ARS scientists at Beltsville, Maryland, and Tucson, Arizona, are exchanging information and research ideas on control of the acarine mite with Mexican scientists so that we will be fully prepared to begin active research programs if the mite spreads into the United States.

AGENCY REQUEST

Question: Will you provide, for the record, a list of the areas of research and programs that were recommended for initiation or expansion in the FY 1984 budget by your scientists and managers in ARS prior to review by your office, the Office of the Secretary and the Director of OMB? What was the total amount of these recommended increases?

Answer: Yes sir. (The list follows:)

	$ in thousands		
Program Recommendations	Agency Req.	Dept. Req.	Budget Req.
Fundamental Research			
Animal Production Efficiency (including genetic engineering; reproductive physiology; immunology and growth and metabolism)	10,000	3,708	750
Crop Production Efficiency (including host-pest interactions; genetic engineering; pest and weedseed control; genetic control of plant adaptation and postdoctoral fellowships)	5,600	1,750	1,750
Soil, Water Conservation and Use (including soil-water-plant interrelationship; soil organic matter effects; nutrient uptake of plants; soil-plant-herbicide interaction and soil reaction to forces exerted by microorganisms, roots and machines)	3,000	1,750	--
Post Harvest Sciences (including bioregulation to control losses and enhance value; host-pest interaction and meat structure and composition	2,000	2,450	1,550

Program Recommendations	Agency Req.	Dept. Req.	Budget Req.
Human Nutrition (nutrient effects on body metabolism and function)	1,000	--	--
Germplasm Resources (including acquisition maintenance; identification of useful characteristics; germplasm enhancement and new crops research)	10,000	6,700	--
Support for Action Agencies			
Support for APHIS (including animal health research; plant protection research on pests and post-harvest research on commodity treatments	6,650	6,650	--
Support for DoD (protect man and food rations from pests	600	--	--
Support for SCS (including soil erosion control-conservation tillage systems; water resource management and management systems for rangelands)	5,250	3,600	--
Support for FAS (including development of systems to monitor worldwide crop conditions and research to enhance exports)	500	200	--
Support for FNS (assess nutritional status of the population)	1,500	300	300
Support for FSIS (reduce sodium in foods and control microorganisms in food	500	500	--
Human Nutrition (including nutrition and aging; nutrition for infants and pregnant and lactating women, nutrient composition and bioavailability; and nutrition requirements)	3,000	2,000	900
Higher Education			
Competitive Fellowship Grants	10,000	--	--
Total Increase Recommendations	59,600	29,608	5,250

Question: Were the recommended research increases, those first proposed by the ARS scientists, deleted from the ARS FY 1984 budget by the Administrator's office, the Office of the Secretary or by the Office of Management and Budget?

Answer: The development of the FY 1984 budget, as in previous budgets, involved the review and evaluation of many new or expanded program initiatives. As increase recommendations and justifications are channeled upwards in the budget process, they obviously contend with a much broader set of issues, needs and priorities. This process historically dictates reduced funding allowances at each level as competition for limited resources becomes more intensified.

CROP AND LIVESTOCK SURPLUSES

Question: We have all experienced periods in which crop and livestock products exceed demand. Surpluses that occur one year may be deficits a year later. Does ARS believe that it is good research policy and planning to use research as a tool to solve crop and livestock surpluses?

Answer: Yes, to the extent research can help solve problems caused by crop and livestock surpluses, we feel that ARS should contribute. We fully recognize that reductions in applied production research will not reduce the surpluses we have today; this is not the issue or our objective. But increased research addressed to the quality and marketability of farm products will help stimulate their demand and competitiveness in domestic and foreign markets. With limited ARS resources, ARS has no choice but to rebalance its allocations by reducing less needed production research in order to respond responsibly to critical post-harvest and conservation research needs that exist for the 1980's.

SOIL EROSION

Question: Secretary Block and Mr. Myers, Chief of the Soil Conservation Service have expressed concern about the serious problems caused by soil erosion. They know that this problem can be greatly helped by reduced, or conservation tillage technology, especially if weeds can be controlled with herbicides.

Since weeds are a serious obstacle to the adoption of conservation tillage by farmers, what is the ARS request for funds in FY 1984 for conservation tillage?

Answer: No increases in funds were requested in FY 1984 for conservation tillage research.

Question: How much of this increase will be directed to research on weed control to support conservation tillage?

Answer: Since in FY 1984 no funds were requested for conservation tillage research, no new funds will be directed to increase weed control research to support conservation tillage above the FY 1983 level.

Question: How many scientists in ARS are currently conducting weed research to support conservation tillage?

Answer: Five ARS weed scientist years are used to conduct weed control research to support the development of conservation tillage technology.

NEEDS OF USER GROUPS

Question: In the Agency's considerations for what research the private sector would or could feasibly do, did you meet with the leaders of the individual agribusiness associations and affected groups to make the necessary factual determinations before restructuring or reducing relevant program elements and funds?

Answer: Yes. In addition, we will update the program priorities each year and adjust the research priorities as appropriate to meet the short- and long-term needs of the appropriate user groups within the mission of the ARS.

NATIONAL RESEARCH PROGRAMS

Question: In recent years, ARS has given much credence and publicity to the effectiveness of 67 National Research Programs and 9 Special Research Programs in facilitating the leadership, coordination, and evaluation of the overall research effort of the Agency. The new program strategy provides one goal, six objectives, and a listing of research categories called "Research Approaches and Approach Elements." In the absence of any meaningful specifics for your proposed plan, we are interested in the current status of the 67 National Research Programs and the 9 Special Review Programs and what they encompass and the objectives. Please provide to the Committee a list of these programs, giving the number, title, scope and research objectives, the funding level for each in FY 1983, the percentage increase or decrease in funds since FY 1976, and the name of the leader for each program. Also, show planned funding levels for each in FY 1984, and through the years 1984-1990.

Answer: The 67 National Research Programs and the 8 Special Review Programs are an integral part of the ARS Management and Planning System and are used for program classification and accounting systems. NRP's are no longer used for program planning or leadership. The National Program Staff is providing program leadership on the basis of the Program Plan rather than on the basis of the National Research Program. Program leadership in broad program areas is provided by a team of 3 to 5 staff scientists on the National Program Staff. Provided herewith is a list of the National Research Programs giving the number, title, and the funding level for each for FY 1983 and the percent increase or decrease in FY 1983 funds since FY 1976. The funding level for FY 1984 is also presented. Since the Six Year Implementation Plan is now under review and the Operational Plan has not been completed, we are unable to provide the projected funding levels for the period FY 1985-1990. A copy of the Technological Objectives for each of the National Research Programs is provided for inclusion in the record.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESEARCH SERVICE

NATIONAL RESEARCH PROGRAMS
($000)

NUMBER	ANIMAL PRODUCTION EFFICIENCY RESEARCH:	1983 Estimated	1984 Estimated	% +/- 1976
20350	Dairy production and reduce losses	$ 9,394	9,541	+215
20360	Beef production and reduce losses	8,490	8,623	+ 80
20370	Swine production and reduce losses	5,301	5,383	+126
20380	Sheep and other animals, production and reduce losses	3,126	3,174	+ 21
20390	Poultry production and reduce losses	3,450	3,503	+ 92
20420	Cattle diseases to reduce losses	10,172	10,581	+ 39
20430	Swine diseases to reduce losses	4,094	4,157	+114
20440	Sheep and other animal diseases to reduce losses	1,167	1,185	-56
20450	Poultry diseases to reduce losses	5,706	6,044	+ 47
20460	Control foreign & vector-borne diseases	17,683	17,958	+101
20470	Toxicology of agricultural chemicals & poison plants.	4,400	4,468	+ 38
20480	Livestock-control losses from insects	7,808	7,930	+154
20490	Control of internal parasites	5,902	6,244	a/
	Subtotal	86,693	88,791	+ 85
	RESEARCH ON HOUSING			
20690	Reduce rural housing costs	525	534	+44
	PLANT PRODUCTION EFFICIENCY RESEARCH			
20010	Fruit, nut, & specialty crops - improved yield and quality	9,225	9,368	+113
20020	Vegetable crops - improved yield and quality	5,686	5,773	+ 79
20030	Florist & nursery crops - improved yield and quality.	5,393	5,476	+113
20040	Corn, sorghum & millet - improved yield and quality..	4,455	4,673	+105
20050	Small grains - improved yield and quality	7,839	7,961	+ 73
20060	Cotton - improved yield and quality	5,540	5,625	+ 24
20080	Oilseed crops - improved yield and quality	6,454	6,554	+ 47
20090	Sugar crops - improved yield and quality	5.515	5,600	+ 79
20100	Forage crops - improved yield and quality	11,405	11,582	+151
20110	Range vegetation - improved yield and quality	5,259	5,340	+120
20160	Plant germplasm	13,803	14,017	+223
20170	Physiology & biochemistry plants	12,268	14,058	+1,044
20180	Bees pollination & honey production	3,610	3,665	+ 99
20190	Crop mechanization	5,882	5,974	+ 90
20220	Insect management - horticultural crops	8,589	8,722	+ 75
20230	Insect management - cotton and tobacco	7,208	7,320	+ 27
20240	Insect management - field crops	9,692	9,842	+118
20250	Insect management - basic noncommodity	14,420	14,636	+113
20260	Biological control & insect identification	11,049	11,220	+147
20270	Disease and nematode control to reduce losses	10,371	10,532	+106
20280	Weed control to increase production	11,250	11,425	+137
20290	Pesticide and growth regulators for protection and modification	4,291	4,357	+188
20300	Pest control equipment	2,298	2,333	+ 48
	Subtotal	181,502	186,053	+ 97

NUMBER		1983 Estimated	1984 Estimated	% +/- 1976
	RESEARCH ON CONSERVATION AND USE OF LAND AND WATER RESOURCES AND MAINTAING ENVIRONMENTAL QUALITY			
20730	Reduce salt damage to agriculture	2,963	3,008	+ 64
20740	Improve irrigation and drainage	9,202	9,342	+150
20750	Tillage practices for soil improvement	4,504	4,572	+158
20760	Improve water use efficiency	9,511	9,656	+153
20770	Reclamation of disturbed land areas	1,739	1,765	+108
20780	Improve soil fertility and plant nutrition	10,135	10,290	+280
20790	Soil, water, and air quality	8,651	8,782	+ 53
	Subtotal	46,705	47,415	+132
	RESEARCH ON WATERSHED DEVELOPMENT:			
20800	Erosion and sedimentation	7,534	7,653	+ 88
20810	Hydrology	9,280	9,428	+114
	Subtotal	16,814	17,081	+102
	PROCESSING, STORAGE & DISTRIBUTION EFFICIENCY RESEARCH:			
20510	Fruits and vegetables, quality maintenance and measurement	7,074	7,208	+11
20520	Field crops, quality maintenance and measurement	13,761	14,021	+70
20530	Livestock & animal products, quality maintenance and measurement	5,082	5,178	-3
20550	Technologies for fiber uses	8,684	8,848	-17
20560	Biomaterial science	6,839	6,968	a/
20580	Technologies for distribution, horticultural crops	7,912	8,061	+126
20590	Technologies for distribution, field crops	2,870	2,924	+ 26
20600	Technologies for distribution, livestock and animal products	822	837	-41
20620	Insect pest control to reduce losses in distribution	6,240	6,958	+89
20650	Develop products for exports	1,965	1,995	+62
20660	Maintain quality and efficiency in export distribution	941	1,904	+105
	Subtotal	62,190	64,902	+ 23
	RESEARCH TO IMPROVE HUMAN HEALTH AND SAFETY			
20820	Develop safe food processing additives	3,202	3,255	+237
20830	Safe products and processes	3,400	3,456	+103
20840	Assess and eliminate toxicants in foods and feeds	10,382	10,553	+117
20850	Control of insects affecting man	3,442	3,498	+ 44
20880	Improved tobacco safety	4,901	4,982	a/
	Subtotal	25,327	25,744	+159

NUMBER		1983 Estimated	1984 Estimated	% +/- 1976
	RESEARCH ON CONSUMER SERVICES:			
20860	Improve family use of resources	743	756	+ 35
	RESEARCH ON HUMAN NUTRITION			
20900	Food composition and improvement	6.439	6,512	+108
20910	Human requirements for nutrients	20,613	21,943	+307
20920	Food consumption and use	579	587	-75
	Subtotal	27,631	29,042	+166
	GRAND TOTAL	$448,130b/	$460,318b/	+ 87

a/ New NRP's since FY 1976.

b/ Excludes repair and maintenance, energy retrofit and contingency research fund.

SPECIAL RESEARCH PROGRAMS

($000)

SRP	FY 1983	FY 1984	% +/- 1976
Energy	$ 16,300	$ 16,300	+ 34
Remote Sensing	5,495	5,495	+1,439
Pilot Test Funds	1,646	1,646	- -
Narcotics	1,437	1,437	- -
Minor Use Pesticides	1,170	1,170	+185
Plant Exploration	40	40	- -

Objectives of the National Research Programs

NRP 20350 Dairy, Production and Reduce Losses

Technological Objectives:

1. Improve efficiency of reproduction, lactation and other physiological processes.
2. Improve efficiency of feed utilization
3. Improve genetic capacity for production
4. Improve management practices and systems
5. Improve efficiency of producing quality products
6. Decrease losses due to diseases, pests, and other hazards
7. Improve structures, equipment, and systems for dairy production

NRP 20360 Beef, Production and Reduce Losses

Technological Objectives:

1. Improve efficiency of reproduction
2. Improve efficiency of feed utilization
3. Improve genetic capacity for production
4. Improve efficiency of beef herd management systems and practices
5. Improve efficiency of producing quality products
6. Structures, equipment, and systems of production

NRP 20370 Swine, Production and Reduce Losses

Technological Objectives:

1. Improve efficiency of reproduction
2. Improve efficiency of nutrition
3. Improve genetic capacity for production
4. Structures, equipment, and systems of production
5. Improve efficiency of producing quality products
6. Metabolism of agricultural chemicals

NRP 20380 Sheep and Other Animals, Production and Reduce Losses

Technological Objectives:

1. Improve efficiency of reproduction
2. Improve efficiency of nutrition
3. Improve genetic capacity for production
4. Improve management practices and systems
5. Improve efficiency of producing quality products
6. Decrease losses due to diseases, pests, and other hazards

NRP 20390 Poultry, Production and Reduce Losses

Technological Objectives:

1. Improve efficiency of reproduction
2. Improve efficiency of nutrition
3. Improve genetic capacity for production
4. Improve management practices and systems
5. Improve efficiency of producing quality products
6. Structures, equipment, and systems for livestock production

NRP 20420 Cattle Diseases to Control Losses

Technological Objective:

1. Improve methods to minimize losses from diseases

NRP 20430 Control of Swine Diseases

Technological Objectives:

1. Improve methods to minimize losses from diseases: Erysipelas
2. Improve methods to minimize losses from diseases: Swine abscesses (Streptococcal lymphadenitis)
3. Improve methods to minimize losses from diseases: Transmissible gastroenteritis
4. Improve methods to minimize losses from diseases: Enteric diseases
5. Improve methods to minimize losses from diseases: Respiratory diseases
6. Improve methods to minimize losses from diseases: Brucellosis
7. Improve methods to minimize losses from diseases: Tuberculosis
8. Improve methods to minimize losses from diseases: Mycotoxicoses
9. Improve methods to minimize losses from diseases: Swine dysentery
10. Improve methods to minimize losses from diseases: Nematodiasis
11. Improve methods to minimize losses from diseases: Trichinosis
12. Improve methods to minimize losses from diseases: Mastitis-metritis-agalactia
13. Improve methods to minimize losses from diseases: Pseudorabies
14. Improve methods to minimize losses from diseases: Biological safety - biohazards control
15. Improve methods to minimize losses from diseases: Reproductive diseases
16. Improve methods to minimize losses from diseases: Mineral metabolism

NRP 20440 Sheep and Other Animal Diseases to Control Losses

Technological Objective:

1. Improve methods to minimize losses from diseases

NRP 20450 Poultry Diseases to Control Losses

Technological Objectives:

1. Improve methods to minimize losses from diseases
2. Methods to improve structures, equipment, and systems which promote decreased losses due to disease

NRP 20460 Control Foreign and Vector-borne Animal Diseases

Technological Objectives:

1. Improve methods of diagnosis of exotic animal diseases to minimize the threat of losses

2. Improve methods to prevent, control, and eradicate foot-and-mouth disease to minimize the threat of losses
3. Improve methods to prevent, control, and eradicate African swine fever and other foreign animal diseases to minimize the threat of losses
4. Improve methods to minimize losses from hemoparasitic diseases
5. Improve methods to minimize losses from bluetongue
6. Improve methods to minimize losses from equine encephalomyelitides

NRP 20470 Toxicology of Agricultural Chemicals and Poison Plants

Technological Objective:

1. Protect farm animals from toxic and residual effects of pesticides and other naturally occurring or synthetic agricultural chemicals

NRP 20480 Livestock - Control Losses from Insects

Technological Objective:

1. Develop new and improved methods to reduce losses caused by insects, ticks, and mites that attack beef and dairy cattle, sheep, goats, horses, swine, poultry, pets, and wildlife and improve livestock pest control, equipment, and facilities

NRP 20490 Control of Internal Parasites

Technological Objective:

1. Improve methods to minimize losses from diseases

NRP 20690 Reduce Rural Housing Costs

Technological Objectives:

1. Develop methods for reducing housing construction costs on farms and for rural communities
2. Develop methods to reduce operating costs for both new and existing rural homes
3. Improve water and waste systems for rural houses and communities

NRP 20010 Fruits, Nuts and Specialty Crops - Improved Yield and Quality

Technological Objectives:

1. Develop new and improved varieties of fruits, nuts, and specialty crops that combine improved yield potentials; quality characteristics; better resistance to pests tolerance to environmental stress; and adaptation for mechanical culture, harvesting, and handling
2. Develop new and improved cultural and management practices for fruits, nuts, and specialty crops that will increase yield, minimize production losses, improve quality, and conserve use of natural resources

NRP 20020 Vegetable Crops - Improved Yield and Quality

Technological Objectives:

1. Develop new and improved genetic populations, breeding lines, and cultivars of vegetables that combine improved yield potentials and favored quality characters, including reduced contents of undesirable constituents with better resistance to pests, tolerance to environmental stress, and adaption for mechanized culture, harvesting, and handling
2. Develop new and improved cultural and management practices that increase vegetable yields, minimize production losses, improve quality attributes, and conserve and use scarce resources efficiently

NRP 20030 Florist and Nursery Crops - Improved Yield and Quality

Technological Objectives:

1. Develop new and improved genetic populations, breeding lines, and cultivars of florist and nursery crops that combine improved and favored quality characters with better resistance to pests, tolerance to environmental stress, and adaption for mechanized culture, harvesting, and handling
2. Develop new and improved cultural and management practices that increase florist and nursery crop yields, minimize production losses, improve quality attributes, and conserve and use scarce resources efficiently
3. To enhance environmental quality by reducing pollution and improving human surroundings

NRP 20040 Corn, Sorghum, and Millet - Improved Yield and Quality

Technological Objectives:

1. New and improved genetic populations, breeding lines, and hybrids of corn, sorghum, and millets that combine improved yield potentials and favored quality characters, including reduced contents of undesirable constituents, with better resistance to pests, tolerance to environmental stress, and adaption for mechanized culture, harvesting, and handling. Develop basic genetic, cytogenetic, physiologic, and biochemical knowledge necessary to accomplish these goals
2. New and improved cultural and management practices that increase corn, sorghum and millet yields, minimize production losses, improve quality attributes, and conserve and use scarce resources efficiently

NRP 20050 Small Grains - Improved Yield and Quality

Technological Objective:

1. New and improved genetic populations, breeding lines, and varieties of small grains that combine greater yield potentials and favored

quality characters, including reduced contents of undesirable constituents, with better resistance to pests, tolerance to environmental stress, responsiveness to new cultural and management practices, and adaptation for mechanized culture, harvesting, and handling

2. New and improved cultural and management practices that increase small grain yields through disease, insect, and weed control; that minimize environmental stress; that improve physical and nutritional quality attributes; that minimize production losses and that conserve and use scarce or irreplaceable resources more efficiently

NRP 20060 Cotton - Improved Yield and Quality

Technological Objectives:

1. New and enhanced genetic populations and breeding lines of cotton that combine increased yield potentials and favored quality characteristics of seed and lint with increased resistance to pests, tolerance to environmental stresses, and adaption to modern cultural, harvesting, and handling practices
2. New principles to improve cultural and management practices that optimize yield potentials, minimize production losses, preserve quality attributes, and conserve and utilize resources efficiently

NRP 20080 Oilseed Crops - Improved Yield and Quality

Technological Objectives:

1. New and improved genetic populations, breeding lines, and varieties of oilseed crops that combine improved yield potentials and favored quality characters, including reduced contents of undesirable constituents, with better resistance to pests, tolerance to environmental stress, and adaptation for mechanized culture, harvesting, and handling
2. New and improved cultural and management practices that increase oilseed crop yields, minimize production losses, improve quality attributes, and conserve and use scarce resources efficiently

NRP 20090 Sugar Crops - Improved Yield and Quality

Technological Objectives:

1. Develop new and improved breeding lines and hybrids that combine high-yielding potential and favored quality characters with better pest resistance, drought-cold-salt tolerance, and adaptation to mechanized culture, harvesting, handling, and storage
2. Develop new and improved cultural and management practices to increase sugar and sirup yields, minimize production losses, improve quality attributes, and efficiently conserve scarce resources

NRP 20100 Forage Crops - Improved Yield and Quality

Technological Objectives:

1. New and improved genetic populations, breeding lines, and cultivars of forage crops with improved yield, special use characteristics, quality, pest resistance, and tolerance to envrionmental stress
2. New and improved cultural and management practices that increase forage crop yields, minimize production and utilization losses, improve feed quality, conserve and use scarce resources efficiently, and enhance environmental quality
3. New and improved cultural and management practices that increase forage crop and turfgrass seed yield, reduce production losses, and improve seed quality
4. Turfgrass cultivars and genetic population with increased pest resistance, tolerance to environmental stress, and improved agronomic characteristics
5. Improved cultural and management practices for turfgrasses that reduce the costs of maintenance, increase ground cover value, provide greater persistence, and improve aesthetics

NRP 20110 Range Vegetation - Improved Yield and Quality

Technological Objectives:

1. Acquire, describe, and evaluate new germplasm; and develop and test improved cultivars of grasses, legumes, shrubs, and forbs with increased ease of establishment, productivity, forage quality, persistence, improved seed qualities and tolerance to grazing, and with reduced losses from antiquality constituents, pests, and environmental hazards
2. Develop range improvement practices for increasing productivity of rangeland
3. Develop grazing (forage-livestock) management systems that convert range forage more efficiently to animal products and are consistent with improvement, conservation, and multiple use of range exosystems

NRP 20160 Plant Germplasm

Technological Objectives:

1. Expanded collections and improved maintenance, evaluation, and distribution of plant germplasm as sources of useful genetic material to improve existing crops and develop new crops
2. New and improved knowledge of the chemical, biological, and agronomic ptoentials for selected plant species as new crop sources of industrial oils, waxes, gums, fibers, of food and feed proteins, and licit and illicit narcotic drugs and other medicinals.
3. Increased understanding of the taxonomic relationships, geographical and ecological distribution, and centers of diversity of crop plants and their wild relatives to promote the systematic assembly of germplasm for crop improvement

NRP 20170 Physiology and Biochemistry Plants

Technological Objectives:

1. Improve biological conversion of solar energy for increased crop production by increasing the efficiency of photosynthesis, translocation and associated metabolism
2. Improve nitrogen fixation efficiency of bacteria-plant associations and develop nitrogen-fixing capabilities in crops lacking this capability in order to reduce energy requirements for crop production
3. Develop new and improved cell and tissue culture technology for plant improvement through increased genetic diversity and rapid vegetable propagation
4. Develop technology for improving the absorption, translocation, and utilization of nutrients and water to increase crop production efficiency
5. Improve technology for better crop production under environmental stress
6. Develop new technology for control and regulation of biochemical, physical, and morphological processes of plants
7. Develop technology for reducing damage to crop plants from air pollutants

NRP 20180 Bees, Pollination and Honey Production

Technological Objectives:

1. Improve management of honey bees to provide most effective crop pollination and honey production
2. Improve methods of protecting bees from pesticides, diseases, pests, and pollution
3. Determine pollination requirements of economically important crops
4. Identify and study biology of wild bee pollinators and improve methods for use of wild bees for crop pollination
5. Improve honey bee breeding and rearing knowledge of bee genetics and germplasm maintenance

NRP 20190 Crop Mechanization

Technological Objectives:

1. Develop improved equipment for harvesting crops to reduce field losses, improve product quality, and reduce labor and machinery costs
2. Develop improved equipment and techniques for farm handling, cleaning, drying and processing of harvested crops to improve quality and reduce costs of labor and machinery
3. Develop improved equipment and techniques for tilling, planting, transporting, fertilizing, and cultivating to increase production, reduce labor and machinery costs, and improve harvesting efficiency
4. Develop equipment, facilities and techniques to control or modify crop environment in the field, plant growth chambers and in greenhouses

NRP 20220 Insect Management - Horticultural Crops

Technological Objective:

1. New and improved methods to reduce losses caused by insects and mites to fruits, vegetables, nut trees, and nursery stock

NRP 20230 Insect Management - Cotton and Tobacco

Technological Objectives:

1. New and improved ecologically acceptable methods for reduction of losses caused by insects and mites attacking cotton
2. New and improved methods to improve safety of tobacco through improved control

NRP 20240 Insect Management - Field Crops

Technological Objective:

1. Reduce losses in field crops by conducting research to develop new and improved control of insects and mites

NRP 20250 Insect Management - Basic Noncommodity

Technological Objectives:

1. Develop new and improved principles and practices of arthropod control based on the selective disruption of growth, development, and reproduction
2. Develop new and improved principles and practices of insect control based on behavior and ecology
3. Develop new principles and practices in insecticide use

NRP 20260 Biological Control and Insect Identification

Technological Objectives:

1. New and improved technology for discovery and evaluation of parasites, predators, antagonists, and pathogens in foreign countries and for introduction and utilization of natural enemies for control of insects, weeds, plant pathogens, and other pests
2. New and improved technology for augmentation, manipulation, and conservation of introduced and native parasites, predators, antagonists, and pathogens for control of insects, weeds, plant pathogens, and other pests
3. New and improved principles and practices of insect and mite identification to support pest control technologies and other research and action programs in agricultural, biological, and health sciences

NRP 20270 Disease and Nematode Control To Reduce Losses

Technological Objectives:

1. Acquire fundamental knowledge and develop basic concepts relative to plant diseases, nematodes, and causal agents
2. Develop systems that will provide economical control of plant diseases and nematodes and have maximum undesirable effects on the environment and public health

NRP 20280 Weed Control to Increase Production

Technological Objectives:

1. New and improved fundamental knowledge of the biology of weeds for development of safe, new principles and mechanisms of their control by biological, chemcial, cultural, ecological, physical, and integrated methods that will avoid or minimize hazards to nontarget organisms and to other components of the environment
2. New and improved weed control technology for use in field crops that will increase efficiency in food, feed, and fiber production, reduce losses in yield and quality, and reduce the cost of control
3. New and improved weed control technology for use in horticultural crops that will increase production efficiency, reduce losses in yield and quality, and the cost of control
4. New and improved weed control technology for use in forage crops, pastures, rangelands, and turf that will increase efficiency of food and feed production, improve aesthetic values, reduce losses in yield and quality, and reduce the cost of control
5. New and improved weed control technology for controlling, managing, or using weed populations to improve water quality, fish and wildlife habitats, and recreational areas in aquatic and noncropland sites

NRP 20290 Pesticide and Growth Regulators for Protection and Modification

Technological Objectives:

1. New concepts and knowledge for improving the primary evaluation and structure-activity assessments for enhanced development of improved herbicides, fungicides, nematicides, insecticides, and growth regulators that are compatible with a quality environment
2. New and improved knowledge of the nature, behavior, and fate of agricultural chemicals in soils that influence the performance of pesticides and growth modifying chemicals and their safety to crops, soils, and nontarget organisms in the environment

3. New and improved knowledge on the mechanisms of entry, movement, activity, selectivity metabolism, and fate of applied pesticides and growth regulators in relation to their effective action in plants and their safety to subsequent crops and nontarget organisms
4. Develop new information on natural bioconstituents and related synthetic compounds that control physiological and biochemical processes for the development of chemicals to modify plant structure and processes
5. Improved automated search, storage, and retrieval systems for relating chemical structure and biological activity of pesticides and growth regulators, including their nature, behavior, and fate in all aspects of the environment

NRP 20300 Pest Control Equipment

Technological Objectives:

1. Develop equipment and techniques to increase efficiency and safety of chemical pesticide applications.
2. Develop equipment and techniques to increase efficiency and effectiveness of nonchemical control of pests.
3. Develop new and improved equipment and techniques for operational pest management systems

NRP 20730 Reduce Salt Damage to Agriculture

Technological Objectives:

1. Develop soil, water, and crop management practices that limit salt damage to crops, soils, and water resources
2. Develop efficient and effective methods for reclaiming salt-affected agricultural lands, rangelands, and minespoil materials

NRP 20740 Improve Irrigation and Drainage

Technological Objective:

1. Develop water management practices, methods, equipment, and systems to efficiently utilize soil, water, and energy resources and increase agricultural productivity

NRP 20750 Tillage Practices for Soil Improvement

Technological Objectives:

1. Reduce tillage costs and consumption of fossil fuels
2. Increase and stabilize yields by improved tillage methods for crop and rangelands
3. Reclaim saline and sodic soils

NRP 20760 Improve Water Use Efficiency

Technological Objectives:

1. Increase yields from crop and rangeland through more efficient use of precipitation
2. Increase photosynthetic efficiency of plants by controlling micrometerological processes such as transfer of solar energy, carbon dioxide, and water

NRP 20770 Reclamation of Disturbed Land Areas

Technological Objectives:

1. Integrate reclamation and land use plan into total mining plans prior to mining
2. Restore disturbed areas to optimum level of agricultural productivity or other use
3. Stabilize disturbed areas against erosion, subsidence and slides
4. Prevent water degradation in and adjacent to disturbed land areas
5. Utilize waste materials in reclaiming disturbed areas
6. Improve scenic, wildlife, and aesthetic values of disturbed areas.

NRP 20780 Improve Soil Fertility and Plant Nutrition

Technological Objectives:

1. Develop improved methods of assessing and predicting the fertilizer needs of crops for maximum long-term production without environmental damage
2. Develop improved soil and crop management practices for most efficient use of fertilizer, energy, and water resources
3. Develop improved ways to manage fertilizers and naturally occurring nutrients for high yields and nutritional quality of crops

NRP 20790 Soil, Water and Air Quality

Technological Objectives:

1. Develop methods for safe and economical land application of wastes and waste waters
2. Determine effects of air pollutants on plants and animals and develop practices to minimize adverse reactions
3. Develop methods for evaluating, predicting, and reducing pollution of soil, water, and air by agricultural chemicals
4. Develop management practices for the improvement of saline and sodic soils and minimize salinity levels in irrigation return flows
5. Develop methods for evaluating, predicting, and controlling soil loss and sediment yield from agricultural lands

NRP 20800 Erosion and Sedimentation

Technological Objectives:

1. Improve water erosion prediction and control to preserve and improve productivity of land and prevent water quality degradation
2. Improve wind erosion prediction and control to protect crops and soils and reduce air pollution
3. Improve evaluation and prediction of sediment transport, yields, and properties
4. Improve stabilization of stream channels and control of gullies

NRP 20810 Hydrology

Technological Objectives:

1. Develop improved procedures for evaluating the impact of watershed and river basin management systems on runoff quality and quantity
2. Develop improved procedures for conserving and augmenting surface and ground water supplies
3. Develop new and improved structures for water control and measurement

NRP 20510 Fruits and Vegetables, Quality Maintenance and Measurement

Technological Objectives:

1. Relate composition and properties of harvested fruits and vegetables--as influenced by genetics, cultural practices, harvest practices, and post-harvest handling--to cost, processing efficiency, usable yield, and quality of processed products
2. Reduce processing costs and improve markets for fruit and vegetables through innovative and improved processing technologies which increase efficiency and pollution control, reduce energy requirements, optimize nutrient retention, and provide safe new food forms with desired consumer product qualities

NRP 20520 Field Crops, Quality Maintenance and Measurement

Technological Objectives:

1. Relate composition and properties of raw materials--as influenced by genetics, cultural practices, and post-harvest handling--to cost, usable yield, and quality of processed products
2. Reduce costs and improve markets for field crops through innovative and improved processing technologies that increase efficiency and pollution control, reduce energy requirements, optimize nutrient retention, and provide unique, improved, or equal product quality and safety

NRP 20530 Livestock and Animal Products, Quality Maintenance and Measurement

Technological Objectives:

1. Reduce costs and improve markets for animal and poultry products by product innovation, increasing processing efficiency, reducing energy requirements, improving nutrient retention, and improving quality, storage, safety, and pollution control
2. Relate the composition and properties of animal products and components--as influenced by genetics and feeding, production, handling, and processing factors--to the yield and quality of the finished products

NRP 20550 Technologies for Fiber Uses

Technological Objectives:

1. Improve instruments, methods, and technology to identify, evaluate, and maintain fiber quality as it relates to actual use value
2. Develop improved methods to gin and clean agricultural fibers and to prepare them for conversion into yarns, webs, and fabrics
3. Develop new and more effective systems for converting natural fibers into yarns, webs and fabrics
4. Develop new and more effective systems for converting yarns, webs, and fabrics into finished textiles and products
5. Develop new and improved properties for consumer products made from natural fibers

NRP 20560 Biomaterials Science

Technological Objectives:

1. Gain new knowledge of composition, properties, processes, mechanisms, and reactions related to materials of agricultural origin, components, and derivatives as a basis for new technologies
2. Develop new and improved processes and products, applying known principles, which can be utilized to satisfy recognized national and consumer needs in health and safety, environmental quality, conservation of resources, employment and economic stability, export and balance of payments, national security, and product quality

NRP 20580 Technologies for Distribution - Horticultural Crops

Technological Objectives:

1. Develop new and improved technologies for maintaining product quality and reducing losses in marketing channels
2. Develop and evaluate techniques of quality measurement for improvement of grades and standards and as a basis for consumer protection

3. Reduce costs in distribution and marketing systems by increasing physical efficiency, reducing energy requirements, and improving work methods

NRP 20590 Technologies for Distribution, Field Crops

Technological Objectives:

1. Development new and improved technologies for maintaining product quality and reducing losses in the marketing channels
2. Develop and evaluate techniques of quality measurements for improvement of grades, standards, and as a basis for consumer protection
3. Reduce costs in distribution and marketing systems by increasing physical efficiency, reducing energy requirements, and improving work methods

NRP 20600 Technologies for Distribution, Livestock and Animal Products

Technological Objectives:

1. Develop new and improved technologies for maintaining product quality and reducing losses in the marketing channels
2. Develop new and improved technologies of quality measurements for use in grading, standardization, and inspection programs and as base for consumer protection
3. Reduce costs in distribution and marketing systems by increasing physical efficiency, reducing energy requirements and improving work methods

NRP 20620 Insect Pest Control to Reduce Losses in Distribution

Technological Objectives:

1. Develop new and improved technologies for reducing losses to insects in agricultural commodities and their products in the marketing channels
2. Develop new and improved technologies for quarantine treatments to destroy pests

NRP 20650 Develop Products for Exports

Technological Objective:

1. Develop new and improved products and processes suitable for the export market

NRP 20660 Maintain Quality and Efficiency in Export Distribution

Technological Objectives:

1. Develop, evaluate, and demonstrate new or improved technologies to maintain product quality and reduce losses in the export marketing channels

2. Reduce costs in distribution and marketing systems by increasing physical efficiency, reducing energy requirements, and improving work methods
3. Provide periodic technological evaluations of competitive foreign agricultural products and foreign physical distribution and marketing systems

NRP 20820 Develop Safe Food Processing Additives

Technological Objectives:

1. Devise means to reduce or eliminate hazardous environmental contaminants in food and feed
2. Prevent hazardous chemical reaction products from forming during curing and cooking of food products

NRP 20830 Safe Products and Processes

Technological Objective:

1. Identification, control, and elimination of potentially hazardous substances from raw and processed agricultural commodities

NRP 20840 Assess and Eliminate Toxicants in Foods and Feeds

Technological Objectives:

1. Assess the health hazards of toxicants occurring naturally in food and feed
2. Identify, control or eliminate mycotoxins and toxigenic fungi from food and feed
3. Identify, control, and/or eliminate food poisoning bacteria and bacterial toxins from food and feed

NRP 20850 Control of Insects Affecting Man

Technological Objective:

1. Develop new and improved technologies for the control of insects (mosquitoes, biting flies, filth-breeding flies, fire ants, household insects, ticks, mites, lice, and yellowjackets) that attack people and their belongings to improve human health and safety, recreational comfort, and agricultural production

NRP 20880 Improve Tobacco Safety

Technological Objectives:

1. Improve tobacco safety through the use of new chemical and physical procedures to reduce or remove constituents from tobacco leaf or smoke that are potentially hazardous to the consumer
2. Improve tobacco safety through new biological and genetic principles and methods to reduce or eliminate chemicals from tobacco leaf and smoke that are potentially hazardous to consumers

NRP 20860 Improve Family Use of Resources

Technological Objective:

1. Establish principles which can be used to improve family use of resources and provide educators and program leaders with sound guidance material for an improved level of living of families

NRP 20900 Food Composition and Improvement

Technological Objectives:

1. Provide accurate up-to-date and comprehensive information in a readily useful form on the composition of all important foods for those nutrients that are required by man and biologically useful to man
2. To provide the technology for the nutritional improvement of food when enhanced level of certain nutrients in the diet are needed to correct possible dietary faults

NRP 20910 Human Requirements for Nutrients

Technological Objectives:

1. Develop recommendations for lipid uptake by humans and identification of the useful nutrient forms to meet the recommendations
2. Develop recommendations for mineral intake by humans and identification of useful nutrient forms to meet the recommendations
3. Develop recommendations for vitamin intake by humans and identification of useful nutrient forms to meet the recommendations

NRP 20920 Food Consumption and Use

Technological Objectives:

1. To provide accurate, up-to-date and complete information in a readily useable form on food consumption and dietary levels
2. To provide consultative assistance on food and nutrition problems and provide sound guidance materials on nutrition both for consumer and nutrition educators, program leaders and food program managers; to provide techniques which will assist people in selecting nutritionally adequate diets within different budget limitations; to identify means to modify undesirable food habits and to strengthen nutritionally desirable food choices
3. To identify and develop suitable and safe procedures for food management and preparation for home and institutional consumers for best retention of both nutritional and eating qualities and to avoid food-borne illness

SRP

Remote Sensing

Technological Objectives:

1. Secure a better understanding of the emmision and reflectance properties of biological and physical parameters through spectrophotometric analyses in the laboratory, in the field, and from low altitudes and space
2. Develop procedures for utilizing remote sensing techniques for identifying crops and measuring their acreage, stage of growth, and health as affected by disease, insects, nematodes, weeds, and by other environmental factors such as nutrition, salinity, soil moisture, erosion, temperature and pollution
3. Develop remote sensing methods to improve water and soil management, soil erosion control (wind and water), sedimentation control, soil mapping watershed planning, water supply and runoff forecasting, and establishing land capability
4. Continue efforts to investigate, develop, and utilize information obtained from the unique characteristics of space-acquired remote sensing data which are not available by ground and aerial means, and continue to develop the use of the data to improve the speed, coverage, and accuracy of surveys now done by conventional ground and aircraft techniques

SRP

Energy

Technological Objectives:

1. Develop technology to permit the economic substitution of solar energy for 20-30 percent of the LP-gas used in grain drying
2. Develop technology to permit the economic substitution of solar energy for 60 percent of the presently used fuel requirements used in heating greenhouses
3. Develop technology to substitute solar energy for 40 percent of the petroleum energy used in livestock production
4. Develop technology to permit the substitution of solar energy for 30 percent of the petroleum energy used to dry and cure peanuts, tobacco, and forages
5. Develop technology for the production and utilization of wind-generated energy in rural and remote areas of the United States
6. Develop technology to utilize agricultural residues for energy for farms and small communities and to develop technology to produce biomass for conversion to energy by large power system systems and networks
7. Increase the efficiency of energy use in production, processing, marketing, and utilization of agricultural products and develop systems less dependent on petroleum and natural gas
8. Develop technology to reclaim mined lands and to protect and enhance the environment as affected energy shortages and energy development

SRP

Pilot Test Funds

Technological Objective:

1. The objective is to rapidly advance newly emerging technology that would (1) reduce net losses from pests; (2) reduce the adverse effects of pest control technology on the environment, either by improving current technology or by developing new technology; and (3) reduce the hazard to humans of pest control technology

SRP

Narcotics

Technological Objectives:

1. Reliable research information on agricultural enterprises which will provide economically viable alternatives to growers of illicit narcotic crops
2. New and improved knowledge of the botany, chemistry, and agronomy of narcotic plants and their products
3. Agricultural chemicals and biological agents for control of illicit narcotic crops

SRP

Minor Use Pesticides

Technological Objective:

1. Develop data for use in registration of pesticides for minor crops, minor uses on major crops, and speciality uses

SRP

Plant Exploration

Technological Objective:

1. Expanded collections and improved maintenance, evaluation, and distribution of plant germplasm as sources of useful genetic material to improve existing crops and develop new crops

BASIC PLANT RESEARCH

Question: The Committee has generously appropriated funds for basic plant science research in the areas of photosynthesis, nitrogen fixation, genetic engineering, and environmental stress on plants. In your justifications for these funds, during the past decade, we have not noticed any reports of significant accomplishments in these research areas.

Could you cite a few examples of progress and would you provide, for the record, the top five research accomplishments in the area of photosynthesis, nitrogen fixation, genetic engineering and environmental plant stress? Show how these research accomplishments have advanced technological developments for use by the farmer and improved the economics of crop production.

Answer: The Agency has increased its research activities over the last few years in the areas of photosynthesis, nitrogen fixation, environmental stress, and of late genetic engineering. Like any fundamental research for agriculture, there is a long time line between the basic research program and implementation on the land which affects the profitability of our farmers and ranchers. The following are examples of Agricultural Research Service work which has or soon will find its way into the commercial practices of American farmers and ranchers.

Across the width and breath of American agriculture there have been large segments of our land mass which are alkaline and result in iron deficiencies in crops such as soybean, sorghum, fruit crops, and vegetable crops like tomato. A team of soil scientists, chemists, and physiologists working at the Beltsville Agricultural Research Center at Beltsville, Maryland, in recent years has identified the biochemical mechanism by which soybean plants and tomatoes use a unique enzyme system to produce phytochemicals that move from the roots into the surrounding soil. These organic reductants render the soil-bound iron in a form so that plant roots may utilize the mineral and develop into productive, high-yielding crops. The genetics of this phenomenon has been characterized, and this character has been isolated in germplasm which is now being moved into commercial varieties. Iowa State University plant breeders are using this technology to develop soybean that will be more iron efficient on alkaline soils. It is anticipated that 9 million acres will be seeded to this improved soybean line in that region alone.

A similar success in mineral toxicity can be cited for small grains, wheat and barley, in acid soils where aluminum toxicity has inhibited growth and reduced yields. Large areas of the Southeastern U.S. will soon have wheat and barley varieties capable of producing, in their roots, organic materials that will reduce the toxicity of aluminum to these crop plants and thereby render these soils capable of producing high-yielding wheat and barley crops.

A genetically engineered vaccine for foot-and-mouth disease has been developed by the Agricultural Research Service at Plum Island, New York, in cooperation with private industry. A safer and more efficient vaccine for foot-and-mouth disease has been made possible through research in genetic engineering. The part of the foot-and-mouth virus coat that will protect livestock from infection has been produced through recombinant DNA technology. Vaccines that will result from this technology will help the United States stockpile vaccine in case of foot-and-mouth disease outbreak in the United States and will mean annual savings of billions of dollars in countries that have the disease. It will also reduce barriers to international trade and will increase the world's supply of meat.

A team of ARS scientists at Minnesota have developed alfalfas that have potentially superior nitrogen-fixing capacity in efforts to replace energy-expensive fertilizer in crop-production systems. Tests show that their experimental populations of alfalfa derived a greater portion of nitrogen from symbiotic fixation than did a standard variety. One experimental population fixed 78 percent more nitrogen and a second 18 percent more nitrogen than the standard varieties. Histological and biochemical research revealed how the nitrogen-fixation process regenerates after temporary reduction by plant harvest, and how nitrogen fixation is changed by the nitrogen being released by soil particles. Today, an annual alfalfa is being developed that will substitute for normal perennial alfalfa as a "nitrogen generator" in grain-cropping rotations. The potential impact of this research on energy resources, if only 10 percent of the nation's corn crop is grown annually by rotation with alfalfa, would reduce the fertilizer nitrogen demand for natural gas by 28 billion cubic feet. This quantity of gas would provide winter heat for 440,000 Minnesota homes. Use of this perennial alfalfa "nitrogen fertilizer generator" would also make major savings to our grain producers as well as have a positive impact on the erosiveness of our precious agriculture soils.

Agricultural Research Service scientists in Oklahoma have used laboratory measurements of photosynthesis and transpiration to predict the performance of range grasses under moisture stress. These measurements can be made rapidly and relate well to time consuming and costly observations made in the field. This technique has aided in the development of a new variety of Old World Bluestem called 'Spar.' This new variety has recently been released, and the demand for seed by farmers and ranchers is currently greater than the supply.

ARS scientists have developed improved sugarbeet hybrids by selecting for more efficient partitioning of photosynthate. The new experimental hybrids produced 15 percent more recoverable sugar per acre than unselected varieties in five tests with sugar industry cooperators. Sugarbeet industry breeding programs in the United States as well as those in The Netherlands, Sweden, and Germany have adopted procedures that allow them to select for more efficient partitioning of photosynthates.

The five preceding examples, some of which are and others which soon will be in the hands of our farmers and ranchers, are a direct result of investment by the people of this country in the Agricultural Research Service to do basic research in agriculture. It is an example of how these programs have and will support, in perpetuity, the needs of American and world agriculture to address those critical problems facing our farmers and ranchers and our consuming public.

PEST CONTROL

Question: On numerous occasions in the past, ARS has advocated a philosophy that would spread the burden of pest control over various methods, including resistant varieties, immunized livestock, biological agents, cultural and physical methods, agricultural chemicals, etc. Last year you provided testimony to the effect that pest control is essential for conserving the soil and for maintaining water quality. Meanwhile, this year you presented this Committee with a proposal that essentially eliminates the research programs that would make your beliefs of last year eventually come true. What has caused you to shift your views so dramatically on these issues?

Answer: ARS has not in any way diminished its confidence in the soundness of a broad based multitactic approach to crop protection. What has changed is the Agency's scheduling of the order in which various broad program areas should receive major research emphasis. As explained below there is a sound and compelling rationale for diminishing emphasis in the near term for applied and developmental research on the various methods of crop protection, but to again increase such research after about a decade if the need is not then being met by other research performers. It should be noted, however, that the Agency plans to significantly increase research emphasis in the near term on integrative systems of crop protection.

The ARS 6-year Implementation Plan 1984-1990 is based on the assumption that there will be little real growth in resources available to the Agency. Since the nation is likely to be faced with surplus production of food and fiber for a number of years, additional emphasis must now be placed on achieving maximum use of agricultural products for domestic and export markets. Further increased emphasis on promoting optimum human health and well-being through improved nutrition has emerged as a national priority. Finally, research emphasis needs to be increased to slow the rate of loss of our soil and water resources that will become a major limiting factor in crop production within about two decades. The above imperatives require that some resources be reallocated from crop protection and crop production.

Since after about 2000 A.D. no additional land will be available for production, all increases in domestic and export demand will have to be met through increased productivity per acre. In order to provide the capability to sharply increase productivity two decades hence, we must now increase emphasis on mission-oriented fundamental, long-range, high-risk research in crop protection and crop production.

Integrative systems research on crop protection will be increased in the near term. There is an urgent need to pioneer new approaches to dealing with the wide spectrum of interactive variables and constraints in crop protection, including pest buildup, weather, costs, and market prices. The intensive farming practices needed to increase future productivity will require increasingly expensive inputs that will significantly increase financial risks if crops fail. When agricultural productivity is pushed to the limits, rules of thumb and traditional criteria will be inadequate basis for decisions in crop protection. New management systems and models must be pioneered that account for the components of complex agricultural systems, and that accurately predict the consequences of alternative decisions.

Crop protection research areas selected for de-emphasis include development of crop hybrids and cultivars that are resistant to insects and diseases, cultural methods of pest control, applied engineering for crop protection, and development of technology for chemical pest control.

The development of pest resistant cultivars of major crops is now being accomplished by the private sector. Cultural methods of pest control tend to be local in nature and, therefore, more appropriate to mission of the State Agricultural Experiment Stations. Some of the resources now devoted to applied engineering and to the development of chemical control technology will be more profitably utilized in basic research on discovering new vulnerabilities to control, means of coping with resistance to pesticides, etc.

In conclusion, there has not been a shift in philosophy on how best to protect crops. On the contrary, ARS is attempting to implement a strategy for enhancing crop protection in future decades when there is substantial uncertainty that food and fiber supplies will match domestic and export needs.

LONG-RANGE PLANNING

Question: The ARS implementation plan proposes drastic cuts in crop and livestock protection research at a time when safer and more efficient pest control is needed to just maintain yields and cut production costs. These research programs are also quite essential in helping make reduced tillage practices for erosion control practical and cost-effective.

Please provide the details of each individual project, the objective, status, location, and the manpower and budget support currently allocated comprising Section 2.4, Table 3 of the Plan. Include your rationale for each of these reallocations and how you propose that these continuing pest control research needs will be met in the farmer's best interest.

Answer: ARS is currently conducting the operational planning phase of the Program Plan. We expect it will be several more months before we determine the specific projects and locations that will be affected by the shifts in program emphasis and de-emphasis. We will provide this information to the Congress when it is available.

Question: Last year Dr. Bertrand expressed intense concern that yields have leveled off for some crops and that the rate of annual increases in yields for others has diminished. This problem seems particularly serious in cotton, sugarcane, rice and barley. Also, there is concern that the rate of yield increase has diminished for corn, wheat and soybeans.

Did you take this yield decline problem into account when you proposed a shift of nearly $30 million away from crop production and crop protection research?

Answer: Yes. The program plan addresses the need for long-term increases in productivity. We strongly feel that reversal of yield declines and acceleration of agricultural productivity depends heavily on new technological breakthroughs, not just refinement of existing technologies. Renewed research emphasis in the productivity programs will be focused on the exciting new areas of plant science and pest biology that will provide the scientific knowledge for necessary breakthroughs. Also, acceleration of research in the soil and water conservation area will help maintain and improve the productive capacity of our natural resource base for the long-term.

Question: How do you propose to address and, hopefully, correct the problem in yield decline after you have eliminated most of the research capability that is specifically designed to respond to this issue?

Answer: ARS does not intend to eliminate most of its research capability to address yield problems in crops. More than 82 percent or $136 million, of the existing plant productivity research program, is projected to be retained for the year 1990. Approximately 50 percent of this effort will be classified as applied research, whereas the remaining will be fundamental which is still directed toward solving real problems in agriculture. By determining new scientific data and understandings of biological systems, we expect to be able to solve problems which cannot be solved by applying existing knowledge or current technology.

Question: I see you are proposing cuts in the order of 40%-60% in those research programs associated with crop production management which includes the science areas of agricultural engineering, plant pathology, entomology, weed science, plant physiology, and the basic research in support of principles for the safe and economical use of agricultural chemicals.

It seems that without the integrated support of these research programs the stability we now have in at least maintaining our crop production efficiency would be seriously jeopardized.

Would you agree and would you re-examine this with your constituency and reconsider your proposed allocations.

Answer: We do not feel that the planned ARS program reallocations will jeopardize the capability of the entire Federal, state, and private sector agricultural rsearch system to maintain the nation's crop production efficiency in the short-term. Furthermore, in the long-term we are confident that production capabilities and efficiencies will be significantly enhanced by the planned program changes. We intend to fully discuss and examine the ARS program targets and plans with our cooperators and research users.

LONG-RANGE PLANNING

Question: The ARS 6-Year Plan proposes substantial cuts in research to control livestock diseases and pests. This suggests that the Agency does not regard the control of economic losses from diseases, poisonous plants in range and pastures, predators, and insects to be a significant factor in helping livestock producers to survive the cost-price squeeze.

Answer: The proposed 6-year target reflects only a 1 percent decrease for animal production and protection research. The targeted net decrease in the animal protection area is about 1.0 million dollars on a 1982 base of 54.0 million dollars. This decrease will help provide for increases in the product use, human nutrition, and natural resources areas. This decrease will be achieved by decreasing such areas as field testing of killed and attenuated vaccines, applied nutrition research, and applied animal breeding. Increased emphasis will be placed on such areas as genetic resistance to insects and disease and genetic engineering of vaccines and production traits.

Question: Please provide a listing of the estimated dollar losses and costs of control for livestock diseases, poisonous plants, predators and insect pests of livestock.

Answer: There are no accurate, objective measurements of the losses sustained by animal agriculture in the U.S. However, estimates of annual losses, including cost borne by farmers for control, from diseases are $6 billion, from poisonous plants are $0.5 billion, from predators are $0.4 billion, and from insects are $4 billion--Report by Council of Deans, Association of American Veterinary Medicine Colleges, February 1981.

Question: During the past three years this Committee has emphasized the need for research to reduce the costs of production and to increase net profits to farmers. Farmers need this kind of help to remain in business. Yet, a review of the ARS 6-Year Plan does not reveal any emphasis to accomplish this objective. Would you advise the Committee to legislate a requirement for research to reduce costs of production, or will you modify your prioritiesto accomplish this?

Answer: There is no need to legislate a requirement for research to reduce production costs. The majority of research underway is directed toward increasing efficiency of production. The targets of the implementation plan increase emphasis on efficiency of production for the long-term. Increased research on product use in several areas will help identify selection criteria to increase production efficiency. According to most farm commodity groups, at this time and for the next few years a market for farm products and higher prices for farm commodities are very high priority needs. In order to increase research in these areas on a constant real dollar budget, some area must be decreased. ARS has and will continue to have a large amount of shorter-term research aimed at increasing efficiency of production. State agricultural experiment stations and research by industry have a high percentage of their research efforts directed toward increasing efficiency of production in the shorter-term.

ARS 6-YEAR IMPLEMENTATION PLAN

Question: The 6-Year plan states that the re-allocation of funds, such as out of plant production and protection, to other objectives is based on 10 factors stated on page 5 of the Plan and appear as assumptions. Please provide the documents and other factual evidence that the Agency used to validate and justify each factor as a factual basis for the re-allocation decisions made.

Answer: On the basis of the best information at hand, ARS constructed a picture of the current and future agricultural situation, evaluated it, and translated it into correct action as a Federal agricultural research agency. With level funding in constant dollars, as has been the case in ARS for the past 15 years, ARS must rebalance its program to address the new needs reflected by the current situation. In May 1982, an ARS Needs Assessment Task Force compiled Issue Papers entitled "Future Needs for Agricultural Products and Resources." These papers and the references analyzed and cited were major sources of information used in formulating the plan. Other appropriate facts and references relating to the factors on page 5 of the 6-year plan document are:

"Production exceeds domestic need." Factual evidence includes current agricultural surpluses ($2 billion to purchase, $55 million to store for dairy alone), USDA's Payment in Kind program, and data found in USDA, 1982 Handbook of Agricultural Charts, Handbook 609, Washington, D.C., 1982.

"An indefinite period of surplus." Using grain as an example, world carryover stocks are on an increase trend, while world utilization is leveling off (Handbook 609, page 67). Barring natural disaster there are no overt indicators of trend reversal for the 1980's.

"Loss of competitiveness in world markets." Again with grain as the example, since 1978, world trade by other countries as opposed to the U.S. has gradually increased (Handbook 609, pages 56-68) by at least 35 billion tons per annum in 1981. Impact of the strong U.S. dollar versus weaker foreign currencies is documented in Handbook 609, page 60 under Trade Indicators.

"New products are needed." A clear statement of need is provided in Appraisal of the Proposed Budget for Food and Agricultural Sciences, February 1983, National Agricultural Research and Extension Users Advisory Board, page 19.

"Lower production costs are needed." Net farm income is decreasing, farm debt is increasing, asset to liability spread is increasing, and productivity increase is tapering off (Handbook 609, pages 3-6).

"The natural resource base is declining." Land resource and fossil water are for all practical purposes fixed or finite. Total acreage in production use and acreage under irrigation are increasing (Handbook 609). Land erosion losses are serious (Soil and Water Resources: Research Priorities for the Nation; Soil Science Society of America, Inc., 1981). See also the Resource Conservation Act of 1977.

"Need for basic science." Impact and Challenge; Research and Development in the FY 1983 Budget (Colloquium Proceedings, 1982, American Association for the Advancement of Science, Washington, D.C.); Science for Agriculture, Workshop on Critical Issues in Agricultural Research (Rockefeller Foundation and Office of Science and Technology Policy, 1982).

"Basic science in agriculture to increase production efficiency" (Workshop on Critical Issues as cited above), and "Prospects for Productivity in U.S. Agriculture," Y. C. Lu et al, 1979, USDA Agricultural Economic Report 435.

"Integrative systems research is needed." There is an increasing spread between farm value of farm foods and consumer expenditures for the products. In 1972, farmers got 66 cents of each consumer food dollar; in 1982, they only got 28 cents, Handbook 609, pages 33-34. This means that a full food systems perspective must be taken for research dollars to address problems of the overall efficiency of the U.S. food system and to attack points of inefficiency in the system wherever they may lie.

"Human nutrition is a national priority," 1977 Farm Bill, Sections 1421-1428; 1981 Farm Bill, Section 1402. Congressional interest in having new ARS Human Nutrition Research Centers at Boston, Massachusetts, and Grand Forks, North Dakota, funded and staffed.

ARS 6-YEAR IMPLEMENTATION PLAN

Question: The ARS Plan proposes, by re-allocation, to increase research on soil, water, and air by $5.4 million. The Committee is not aware that you have made many substantial breakthroughs in research that would warrant such an increase coming immediately after you received more than a $5 million increase in the FY 1983 appropriation. Please list, in $150,000 increments the lines of research that you propose to undertake with this additional $5.4 million, as well as the locations where the research would be conducted.

Answer: The proposed increase in soil, water, and air research of $5.4 million in the ARS implementation plan reflects adjustments in funding from the FY 1981 base. As such, the FY 1982 increases and the $5.0 million increase in the FY 1983 appropriation will reduce substantially the re-allocation of resources needed to meet the 1990 funding goals. The plan, however, is based on constant dollars so some additional real growth is projected for this research by 1990. The locations where research might be expanded will not be known until the ARS operational plan currently under development has been completed. Areas of soil, water, and air research in need of additional funding during the next 6 years include the development of technology for assessing the impact of weather and air quality on crop production, research to effectively integrate crop production and resource conservation systems, and water resources assessment and conservation technologies with an emphasis on future water supplies and water use efficiency in both irrigated and dryland agriculture.

Question: Your plans do not provide a convincing rationale for your proposal to increase human nutrition research by 50%. To what extent does this duplicate human nutrition research funded by the Department of Health and Human Services, which already has medical and technical research competence and programs to evaluate nutrition in all age groups?

Answer: The ARS human nutrition research program will not duplicate research funded by the Department of Health and Human Services.

The Food and Agricultural Act of 1977 mandated new initiatives in human nutrition research--PL 95-113, September 19, 1977:

> "New Federal initiatives are needed in the area of ... research and extension on human nutrition and food consumption patterns in order to improve the health and vitality of the people of the U.S." Section 1402(8) (B)
>
> "...the Secretary shall develop and implement a national food and human nutrition research and extension program that shall include - research on human nutritional requirements." Section 1422 (1)

In response to this mandate of Congress, a separate human nutrition research program was established. Initially, the program built on existing, but incomplete and fragmented, human nutrition research. However, significant new program areas and thrusts were planned in response to: 1) the overall Congressional mandate; 2) additional and more specific Congressional mandates for specific centers; 3) USDA human nutrition responsibilities identified by a special Inter-Agency Task Force composed of multiple Federal agencies and co-chaired by SEA and NIH; and 4) the requirements of a sound and comprehensive research program investigating human nutritional requirements at all stages of life, from infancy to old age.

These new program areas and their associated locations are:

- Nutrition needs of children and mothers, Children's Nutrition Research Center, at Baylor College of Medicine, Houston, TX.
- Nutrition needs of the elderly and impacts on the aging process, Human Nutrition Research Center on Aging, at Tufts University, Boston, MA.
- Nutrient needs of adults for trace minerals, Grand Forks Nutrition Research Center, Grand Forks, ND.
- Nutrient needs of normal adults, Beltsville Human Nutrition Research Center, Beltsville, MD.
- Development of human nutrition research methodologies to assess nutrient intake and needs, and to provide assistance to USDA action programs, Western Human Nutrition Research Center, San Francisco, CA.

These new program areas are currently in various stages of development with none fully implemented. For program implementation each will require significant increases in funding, staffing, and facility expansion over the next 6 years.

Question: Your implementation plan states that there is a need for more value-added products to compete in world markets. It seems that we can more readily export food and feed grains than export flour, cake mixes, or canned meat. How large is the current export market for value-added agricultural products? To what extent do you project that your research program would enlarge this market? Have you consulted with the private sector on this?

Answer: The current level of technology transfer across the world agricultural community and the increased capacity of certain developing nations to produce agricultural commodities, particularly food and feed grains, equal to or in excess of their needs, form the primary justification for the projection by many economists that, barring a large decrease in the value of the dollar, opportunities for the export of raw U.S. agricultural commodities will significantly decrease in the coming decades. Yes, we have consulted with the private sector on this area.

The dollar value of value-added agricultural products for 1982 was 17 percent of the total value accrued in balance of payments from agricultural products. The current export market for value-added products is as large as the imagination of the U.S. processors of food, feed, fiber and industrial products and their ability to identify foreign market opportunites with the assistance of the Foreign Agricultural Service. The agricultural commodity and processing organizations form the primary interface between the Agricultural Research Service and the private sector. A research program, appropriately focused on development of essential information and new technologies, will enhance the ability of U.S. industries to capture new markets for agricultural products and thereby provide a real opportunity to gain a payback on technology development, increase job opportunities, decrease commodity surpluses, and increase agriculture's contribution to the balance of payments.

QUESTIONS SUBMITTED BY SENATOR ANDREWS

POTATO RESEARCH

Question: The Red River Valley of North Dakota and Minnesota ranks third nationally in potato acreage, with approximately 21.5 million hundredweight, with an approximate value of 150 million dollars.

Annual losses in the Red River Valley, mostly due to bacterial disease, are 10-15 percent of production, or about 15-22.5 million dollars. Similar losses occur in other potato producing areas throughout the United States.

Development of methods to test chemicals and development of chemicals could significantly reduce these losses. Industry has not, and probably will not, do this research because of the lack of profit motive.

Just what research is being done on the Federal level to investigate methodology and application of chemicals for control of bacterial pathogens of potatoes?

Answer: We have one ARS scientist working full time on integrated pest management of potato diseases. Some of this research relates to chemical control of bacterial pathogens and we do a limited amount of testing new chemicals for control of potato diseases. We are concentrating our research on the development of improved, disease-resistant germplasm. This is a long-term approach but one that eventually would allow us to use natural resistance rather than pesticides to control diseases.

Question: A frequent complaint of potato researchers and growers is the lack of chemicals/disinfectants for bacterial disease. Is it not true that formerly used chemicals are corrosive and/or toxic?

Answer: Growers formerly used mercuric chloride and formaldehyde to treat potatoes for bacterial diseases. Moreover, there is evidence that formaldehyde can be carcinogenic in certain circumstances. Both chemicals are corrosive and mercuric chloride is toxic. Our objective is to develop disease-resistant germplasm so that growers will not have to use chemicals for control of bacterial diseases.

BARLEY

Question: The USDA-ARS Barley and Malt Laboratory in Madison, Wisconsin, performs a unique and extremely important quality evaluation function for barley research and indirectly, to barley growers. I understand the present Laboratory Director plans to retire this fall and the other two full-time professional staff people are scheduled to retire in the next two to three years.

What plans does ARS have for replacing these personnel to provide for continuity in malting barley quality evaluation programs and provide for research of new analytical techniques using the latest technology?

Answer: ARS line and staff are undertaking a joint evaluation of the research programs of the Barley and Malt Laboratory and the ARS Oat Laboratory, both located on the University of Wisconsin campus at Madison. As part of this process, we are asking industry representatives and University scientists to help us assess the present and future needs of the Barley Malting Industry, the Oat Industry, and, in part, small grains research in general. We will identify the needs and develop an operating program that will permit the present and future professional staff to meet the needs of these industries. The decisions for replacing personnel at the Barley and Malt Laboratory, will allow ARS to bring personnel into the program with the newest science which will evolve into the most modern analytical technology to serve the Barley Malting Industry.

Question: There have been rumors that the Oat Laboratory located in the University of Wisconsin Campus at Madison will be combined with the Barley and Malt Laboratory.

What assurance can you give me that this combination will not detract from the performance of malting barley and quality evaluation functions now performed by the Barley and Malt Laboratory?

Answer: The possible consolidation of the research at the ARS Oat Laboratory and the Barley and Malt Laboratory at Madison Wisconsin, has been under consideration for some time. The objectives are to pool resources including scientists, funds, equipment, and physical space, thereby increasing operational efficiency and quality evaluation performance of the laboratories. We are asking barley and oat industry representatives and University scientists to help us assess the present and future needs to insure that the functions of the combined laboratory are improved.

Question: The National Small Grains Germplasm storage facility located at the United States Department of Agriculture's Agriculture Research Center at Beltsville, Maryland, is literally bulging at the seams.

What plans does the Agricultural Research Service have to expand or replace this facility to insure the preservation and enhancement of all small grain germplasm specimens?

Answer: The Agricultural Research Service is in the process of purchasing a self-contained, prefabricated cold storage building to be placed on a concrete slab adjacent to the present National Small Grains Collection facility. This building will provide an excellent storage environment for 25,000 additional seed accessions, accommodating a 2- to 3-year growth of the collection.

Question: Will barley be included with wheat and oats in the germplasm enhancement program in the 1984 budget? If not, why?

Answer: The Crop Advisory Committee for barley is in the process of developing plans for germplasm evaluation and enhancement for that crop. The 1984 budget does not request new funds for crop germplasm. The Agricultural Research Service plans, however, to redirect funds from lower priority programs to meet high-priority needs in germplasm. Evaluation of barley germplasm is a prerequisite to effective enhancement. Our intention is to follow the plan that will be submitted by the barley Crop Advisory Committee as far as funds will permit.

BARLEY

Question: Federal support for barley research workers has been cut drastically in the last decade. According to information obtained from the USDA Current Research Information System, ARS-supported barley research positions have dropped from 18.4 in 1970 to 10.4 in 1980. This is a disturbing trend.

I'd like to know what ARS intends to do to reverse and improve this situation.

Answer: The estimated ARS funding for barley research in Fiscal Year 1984 is $1,886,000 compared to $986,000 in Fiscal Year 1975. Although there have been incremented increases in the funding of barley research since 1975, there has been a decrease in the number of research scientists that could be supported by these funds. Furthermore, as attrition of barley scientists has occurred, reduced ARS personnel ceilings have limited our ability to fill vacant positions. Barley has received a relatively stable proportion of the total ARS budget over this period. We continue to review and assess our barley research to ensure that we are developing the most critical information required to meet the needs of the industry.

Question: I have been informed by the National Barley Improvement Committee and by researchers at North Dakota State University in Fargo, North Dakota, that Barley Yellow Dwarf Virus is becoming an increasing concern not only as it impacts on barley but also as it impacts on oats and wheat. I understand there is increasing concern that there are now strains of this virus evolving that pose a potentially serious threat to many of our important crops, including corn.

Just what is the Department doing to identify resistance genes to Barley Yellow Dwarf Virus wherever they may be found and to develop a mechanism to transer these resistance genes to our adapted varieties of small grains?

Answer: The Department introduces several thousand lines of barley, wheat, and oat germplasm every year which are distributed to State and Federal cereal breeders who are searching for resistance to the Barley Yellow Dwarf Virus. Our scientists have made considerable progress in finding resistance genes to Barley Yellow Dwarf Virus and incorporating them into improved germplasm and new varieties. For example, during 1980-1982, four new varieties of oats and one new variety of wheat were released that are resistant to this disease. These programs are being continued because this virus is widely acknowledged to be the most serious of all virus diseases of cereal crops.

NORTHERN PLAINS SOIL AND WATER RESEARCH CENTER IN SIDNEY, MONTANA

Question: I have received a great deal of communication concerning the proposed closure of the Northern Plains Soil and Water Research Center in Sidney, Montana, from people in Western North Dakota.

For more than 20 years this center has furnished valuable research on dryland soil and water conservation. Similar research facilities are not available for hundreds of miles. At such distant locations the soil, climate, and crops have changed so much the research is not pertinent.

What justification does the Department have for closing this important facility?

Answer: The ARS redirection effort calls for a total of $40,000,000 in research project funds to be directed from lower priority to higher priority programs. The criteria established to guide this redirection effort include the following:

ARS's responsibility is to conduct research which is national in perspective, long-range, high-risk, and requires unified planning, continuity of effort in a stable environment, and which is not undertaken by other agricultural research institutions. In short, the research is uniquely a federal responsibility. Management considerations included determining if research projects are near completion, properly located, housed in adequate facilities, and have a satisfactory rate of scientific output.

The specific reasons for selecting the Northern Plains Soil and Water Research Center in Sidney, Montana, for closure are: (1) the research on saline seep control has been completed. A manuscript for a handbook on saline seep control has been prepared and related publications are nearing completion. (2) The research efforts in water use efficiency, soil fertility, hydrology, erosion, and tillage are being concentrated at fewer locations within the Great Plains to create more effective team efforts in developing conservation production systems for the region.

Question: How do you answer the concerns expressed that distant locations would not be adequate?

Answer: With limited funds ARS must concentrate its efforts on national or broad regional problems that cannot be effectively addressed by other agricultural research institutions. Conservation production systems being developed by ARS will be applicable to the agriculture of eastern Montana as well as other areas within the Northern Great Plains. Specific applications of the ARS research to local problems can better be handled by researchers within specific State institutions.

BASIC PLANT RESEARCH

Question: The Committee has generously appropriated funds for basic plant science research in the areas of photosynthesis, nitrogen fixation, genetic engineering, and environmental stress on plants. In your justifications for these funds, during the past decade, we have not noticed any reports of significant accomplishments in these research areas.

Could you cite a few examples of progress and would you provide, for the record, the top five research accomplishments in the area of photosynthesis, nitrogen fixation, genetic engineering, and environmental plant stress? Show how these research accomplishments have advanced technological developments for use by the farmer and improved the economics of crop production.

Answer: The Agency has increased its research activities over the last few years in the areas of photosynthesis, nitrogen fixation, environmental stress, and of late genetic engineering. Like any fundamental research for agriculture, there is a long time line between the basic research program and implementation on the land which affects the profitability of our farmers and ranchers. The following are examples of Agricultural Research Service work which has or soon will find its way into the commercial practices of American farmers and ranchers.

Across the width and breath of American agriculture there have been large segments of our land mass which are alkaline and result in iron deficiencies in crops such as soybean, sorghum, fruit crops, and vegetable crops like tomato. A team of soil scientists, chemists, and physiologists working at the Beltsville Agricultural Research Center at Beltsville, Maryland, in recent years has identified the biochemical mechanism by which soybean plants and tomatoes use a unique enzyme system to produce phytochemicals that move from the roots into the surrounding soil. These organic reductants render the soil-bound iron in a form so that plant roots may utilize the mineral and develop into productive, high-yielding crops. The genetics of this phenomenon has been characterized, and this character has been isolated in germplasm which is now being moved into commercial varieties. Iowa State University plant breeders are using this technology to develop soybean that will be more iron efficient on alkaline soils. It is anticipated that 9 million acres will be seeded to this improved soybean line in that region alone.

A similar success in mineral toxicity can be cited for small grains, wheat and barley, in acid soils where aluminum toxicity has inhibited growth and reduced yields. Large areas of the Southeastern U.S. will soon have wheat and barley varieties capable of producing, in their roots, organic materials that will reduce the toxicity of aluminum to these crop plants and thereby render these soils capable of producing high-yielding wheat and barley crops.

A genetically engineered vaccine for foot-and-mouth disease has been developed by the Agricultural Research Service at Plum Island, New York, in cooperation with private industry. A safer and more efficient vaccine for foot-and-mouth disease has been made possible through research in genetic engineering. The part of the foot-and-mouth virus coat that will protect livestock from infection has been produced through recombinant DNA technology. Vaccines that will result from this technology will help the United States stockpile vaccine in case of foot-and-mouth disease outbreak in the United States and will mean annual savings of billions of dollars in countries that have the disease. It will also reduce barriers to international trade and will increase the world's supply of meat.

A team of ARS scientists at Minnesota have developed alfalfas that have potentially superior nitrogen-fixing capacity in efforts to replace energy-expensive fertilizer in crop-production systems. Tests show that their experimental populations of alfalfa derived a greater portion of nitrogen from symbiotic fixation than did a standard variety. One experimental population fixed 78 percent more nitrogen and a second 18 percent more nitrogen than the standard varieties. Histological and biochemical research revealed how the nitrogen-fixation process regenerates after temporary reduction by plant harvest, and how nitrogen fixation is changed by the nitrogen being released by soil particles. Today, an annual alfalfa is being developed that will substitute for normal perennial alfalfa as a "nitrogen generator" in grain-cropping rotations. The potential impact of this research on energy resources, if only 10 percent of the nation's corn crop is grown annually by rotation with alfalfa, would reduce the fertilizer nitrogen demand for natural gas by 28 billion cubic feet. This quantity of gas would provide winter heat for 440,000 Minnesota homes. Use of this perennial alfalfa "nitrogen fertilizer generator" would also make major savings to our grain producers as well as have a positive impact on the erosiveness of our precious agriculture soils.

Agricultural Research Service scientists in Oklahoma have used laboratory measurements of photosynthesis and transpiration to predict the performance of range grasses under moisture stress. These measurements can be made rapidly and relate well to time consuming and costly observations made in the field. This technique has aided in the development of a new variety of Old World Bluestem called 'Spar.' This new variety has recently been released, and the demand for seed by farmers and ranchers is currently greater than the supply.

ARS scientists have developed improved sugarbeet hybrids by selecting for more efficient partitioning of photosynthate. The new experimental hybrids produced 15 percent more recoverable sugar per acre than unselected varieties in five tests with sugar industry cooperators. Sugarbeet industry breeding programs in the United States as well as those in The Netherlands, Sweden, and Germany have adopted procedures that allow them to select for more efficient partitioning of photosynthates.

The five preceding examples, some of which are and others which soon will be in the hands of our farmers and ranchers, are a direct result of investment by the people of this country in the Agricultural Research Service to do basic research in agriculture. It is an example of how these programs have and will support, in perpetuity, the needs of American and world agriculture to address those critical problems facing our farmers and ranchers and our consuming public.

LONG-RANGE PLANNING

Question: I understand that during the past year ARS has been engaged in a major long-range planning activity. What assumptions have you made concerning future trends in domestic and foreign demand for crop and livestock products over the next three decades?

Answer: We have assumed that production by U.S. agriculture exceeds current domestic needs; U.S. agricultural products are losing competitiveness in world markets; new products are needed for American farm commodities to more successfully compete in world markets, and that the U.S. is facing an indefinite period of surpluses of major agricultural commodities, at least during this decade and perhaps during the 1990's. Obviously, long-term foreign demand for crop and livestock products is not highly predictable. But, based on present population growth scenarios and domestic and foreign food production capability and potential it seems logical to assume an excess of farm commodities during the next several years. If we also accept a low or moderate world population growth scenario for the next three decades, it seems logical to assume a food shortage within the next 30 years unless substantial new technology is developed to increase food production. Thus, we have assumed an excess of farm commodities for the short-term, next decade, and a world food shortage for the long-term, three decades and longer.

Question: Did you use long-term projections for demand of agricultural products in assessing areas of the research program that should be strengthened?

Answer: Yes. Basically the demand for agricultural commodities is a function of population projections and amount of cropland available for food and fiber production. It is our intent to give more emphasis to research that will protect our food and fiber production capability in the long-term, 20-30 years and beyond. This means putting more emphasis on such areas as genetic engineering of plants and animals and improving genetic resistance of plants and animals to diseases and parasites.

Question: In your considerations for what research the private sector would or could feasibly do, did you meet with the leaders of the individual agribusiness associations and affected groups to make the necessary factual determinations before restructuring or reducing relevant program elements and funds?

Answer: Yes. In addition, we will update the program priorities each year and adjust the research priorities as appropriate to meet the short- and long-term needs of the appropriate user groups within the mission of the ARS.

Question: Do you feel that the production-related research currently underway will prolong the period during which surpluses are a problem, or do you anticipate that foreign demand for agricultural products will increase sharply in a few years?

Answer: We do not think the production-related research currently underway will prolong the period of surpluses. We do expect an increase in foreign demand for agricultural products, especially in the long-term.

Question: What does your assumption concerning surpluses mean in terms of your plan?

Answer: It means putting more emphasis on value-added products and protection of stored products.

Question: Many farmers are threatened with bankruptcy. Are you saying that production research cannot increase efficiency and reduce costs and thereby increase net profits without markedly increasing production?

Answer: We feel strongly that production research can and does result in increased efficiency, reduced costs, and subsequent profit increase. Moreover, this increased efficiency does not necessarily have to be accompanied by higher levels of production. A high percentage of the present and future research programs of ARS in the plant and animal production and protection areas are directed toward increasing efficiency of production rather than on increasing production.

Question: Please provide, for the record, those lines of research that you feel will reduce costs of production without necessarily increasing overall production.

Answer: Nearly all areas of the ARS research programs in plant and animal production and protection are directed toward increasing efficiency of production by reducing inputs and costs or increasing production output or a combination of the two. A high percentage of the research in commodity conversion and delivery also provides for increased efficiency in market demand and profits to the producer. In the Program Plan the following lines of research contribute directly or indirectly to increasing efficiency of production: Assessment, 1.1; Land, 1.2; Water, 1.3; Systems, 1.4; Modify Germplasm, 2.2; Crop Productivity, Quality, 2.3; Plant Protection, 2.4, Systems, 2.5; Genetics, 3.1; Nutrition, 3.3; Disease, 3.4; Insects Ticks & Mites, 3.5, except 3.5.5; Systems, 3.6; Quality, 4.1; Loss reduction, 4.3; Systems, 4.4; Integrative Systems, 6.1; and Alternative Systems, 6.2.

Question: With regard to your plan, what assumptions have you made concerning future levels of appropriations to ARS?

Answer: We have assumed that future appropriations will be equal to the 1982 level in constant dollars. This assumption is based on recent historical experience. Deviations from this trend will be addressed based on priorities set in the plan.

Question: Will all shifts in emphasis within your plan be accomplished exclusively by redirections with the Agency?

Answer: ARS will make the shifts exclusively by redirections within the Agency, if this becomes necessary. Budget increases, if received, will enable quicker shifts to high-priority areas of research.

Question: Which lines of work would you increase by as much as one million dollars?

Answer: Soil and water conservation, commodity conversion and delivery, human nutrition, and integration of systems are to be increased by over $1 million in constant dollars in the next 6 years.

Question: Which lines of work would your plan decrease by one million dollars or more?

Answer: Plant productivity and animal productivity research will be decreased by over $1 million in constant dollars to provide funds for the lines of work slated for increase.

Question: Please provide, for the record, a detailed listing of lines of work that you plan to either increase or decrease by as much as five million dollars.

Answer: Soil and water conservation, commodity conversion and delivery, and human nutrition will each increase by more than $5 million whereas plant productivity will decrease by more than $5 million. A more detailed listing of program and funding shifts are provided on the attached Tables 2 through 7 which have been reproduced from the ARS 6-Year Implementation Plan. Your attention is directed to the middle columns of these tables that show planned increases and decreases within the 6 objectives, 24 approaches, and 98 approach elements of the Plan.
[The information follows:]

TABLE 2. OBJECTIVE 1: SOIL AND WATER CONSERVATION. FUND ALLOCATION STRATEGIES (INCREASES, DECREASES) FOR ACHIEVING TARGETED PROGRAM BALANCE AMONG APPROACHES AND APPROACH ELEMENTS

Approach Element	Present Program Balance			Planned Program Changes ($M)			Targeted Program Balance		
	$M	%Approach	%Objective	Decreases	Increases	Net	$M	%Approach	%Objective
Assessment									
1.1.1.Land	1.2	22			1.6		2.8	34	
1.1.2 Water	3.2	59					3.2	40	
1.1.3 Air	1.0	19			1.1		2.1	26	
Approach 1.1 Total	5.4	100	10	0	2.7	+2.7	8.1	100	14
Land									
1.2.1 Erosion	4.9	27			0.5		5.4	28	
1.2.2 Fertility	9.3	52			1.4		10.7	56	
1.2.3 Physical	1.3	7			0.8		2.1	11	
1.2.4 Organic	2.5	14		1.6			0.9	5	
Approach 1.2 Total	18.0	100	35	1.6	2.7	+1.1	19.1	100	33
Water									
1.3.1 Use	8.0	33		1.4			6.6	28	
1.3.2 Supply	9.3	38			0.8		10.1	44	
1.3.3 Irrigation	6.9	29		0.5			6.4	28	
Approach 1.3 Total	24.2	100	46	1.9	0.8	-1.1	23.1	100	40
Systems									
1.4.1 Agricultural	3.6	75			2.7		6.3	84	
1.4.2 Nonagricultural	0	0					0.0		
1.4.3 Environmental	1.2	25					1.2	16	
Approach 1.4 Total	4.8	100	9	0	2.7	+2.7	7.5	100	13
OBJECTIVE 1 Total	52.4		100	3.5	8.9	+5.5	57.8		100

TABLE 3. OBJECTIVE 2: PLANT PRODUCTIVITY. FUND ALLOCATION STRATEGIES (INCREASES, DECREASES) FOR ACHIEVING TARGETED PROGRAM BALANCE AMONG APPROACHES AND APPROACH ELEMENTS

Approach Element	Present Program Balance			Planned Program Changes ($M)			Targeted Program Balance		
	$M	%Approach	%Objective	Decreases	Increases	Net	$M	%Approach	%Objective
Germplasm Diversity									
2.1.1. Taxonomy	4.3	26					4.3	23	
2.1.2. Acquis.-Crops	9.9	59			1.6		11.5	61	
2.1.3. Acquis.-Pests	2.5	15			0.5		3.0	16	
Approach 2.1 Total	16.7	100	10	0	2.1	+2.1	18.8	100	14
Modify Germplasm									
2.2.1. New methods	4.2	12			1.4		5.6	19	
2.2.2. Range, pasture, for.	4.0	12		0.3			3.7	13	
2.2.3. Field crops	16.5	48		4.9			11.6	40	
2.2.4. Hort. crops	9.7	28		2.0			7.7	26	
2.2.5. Benefical & pests	0.0	0			0.5		0.5	2	
Approach 2.2 Total	34.4	100	21	7.2	1.9	-5.3	29.1	100	21
Crop Productivity, Quality									
2.3.1. Basic biology	13.4	35			0.5		13.9	49	
2.3.2. Range, pasture, for.	8.3	21		2.6			5.7	20	
2.3.3. Field crops	3.7	10		2.0			1.7	6	
2.3.4. Hort. crops	3.3	9		2.0			1.3	5	
2.3.5. Pollination & honey	2.5	6		0.9			1.6	6	
2.3.6. Equip. efficiency	7.4	19		3.4			4.0	14	
Approach 2.3 Total	38.6	100	23	10.9	0.5	-10.4	28.2	100	21
Plant Protection									
2.4.1. Biology-Insects	13.5	18			0.5		14.0	24	
2.4.2. Biology-Plant path.	9.3	12			0.5		9.8	17	
2.4.3. Biology-Nematodes	1.7	2			0.5		2.2	4	
2.4.4. Ins/Dis/Nem-range,past.	1.8	3		0.5			1.3	2	
2.4.5. Ins/Dis/Nem-fld,hort.	27.1	36		12.7			14.4	25	
2.4.6. Biology-Weeds	5.9	8			0.5		6.4	10	
2.4.7. Weeds-Rng,past,for,aq.	2.2	3		0.5			1.7	3	
2.4.8. Weeds-field,hort	3.3	4		1.4			1.9	3	
2.4.9. Biol. control	4.9	7		0.7			4.2	7	
2.4.10.Agr. chem.tech.	4.7	6		2.0			2.7	5	
2.4.11.Vertebrate pests	0.6	1		0.6			-	0	
Approach 2.4 Total	75.0	100	45	18.4	2.0	-16.4	58.6	100	43
Systems									
2.5.1. Assessment	0.5	83			0.5		1.0	63	
2.5.2. Models	0.1	17			0.5		0.6	37	
Approach 2.5 Total	0.6	100	1	0	1.0	+1.0	1.6	100	1
OBJECTIVE 2 Total	165.3		100	36.5	7.5	-29.0	136.3		100

TABLE 4. OBJECTIVE 3: ANIMAL PRODUCTIVITY. FUND ALLOCATION STRATEGIES (INCREASES, DECREASES) FOR ACHIEVING TARGETED PROGRAM BALANCE AMONG APPROACHES AND APPROACH ELEMENTS

Approach Element	Present Program Balance			Planned Program Changes ($M)			Targeted Program Balance		
	$M	%Approach	%Objective	Decreases	Increases	Net	$M	%Approach	%Objective
Genetics									
3.1.1 Selection	4.7	82		1.2			3.5	52	
3.1.2 Gene manipulation	0.4	7		0.4			0	0	
3.1.3 Biochem. genetics	0.6	11			0.5		1.1	16	
3.1.4 Disease resist.	0.0				2.2		2.2	32	
Approach 3.1 Total	5.7	100	7	1.6	2.7	+1.1	6.8	100	9
Reproduction									
3.2.1 Offspring reared	4.0	58		0.4			3.6	49	
3.2.2 Germ cell/embryos	1.2	17			1.0		2.2	30	
3.2.3 Lactations	1.7	25		0.2			1.5	21	
Approach 3.2 Total	6.9	100	8	0.6	1.0	+0.4	7.3	100	9
Nutrition									
3.3.1 Nutrient limits	3.8	36		1.2			2.6	29	
3.3.2 Nutrient losses	4.2	40		1.3			2.9	32	
3.3.3 Synthesis/comp.	2.5	24			1.0		3.5	39	
Approach 3.3 Total	10.5	100	13	2.5	1.0	-1.5	9.0	100	12
Disease									
3.4.1 Diagnosis	9.3	21		0.5		-0.5	8.8	21	
3.4.2 Stress & disease	2.4	6			0.5		2.9	7	
3.4.3 Pathogenesis	10.3	24		1.0			9.3	23	
3.4.4 Disease control	17.2	39		2.2		-2.2	15.0	37	
3.4.5 Toxicology	4.5	10			0.5		5.0	12	
Approach 3.4 Total	43.7	100	53	3.7	1.0	-2.7	41.0	100	52
Insects Ticks & Mites									
3.5.1 Detection	.8	7					0.8	7	
3.5.2 Causal mechanisms	2.1	18					2.1	19	
3.5.3 Reduced losses	5.3	47		1.6			3.7	35	
3.5.4 Integr. systems	1.9	17			1.0		2.9	27	
3.5.5 Human protection	1.3	11					1.3	12	
Approach 3.5 Total	11.4	100	14	1.6	1.0	-0.6	10.8	100	14
Systems									
3.6.1 Shelter	0.2	5		0.2			0		
3.6.2 Feed handling	0.0						0		
3.6.3 Labor efficiency	0.1	2		0.1			0		
3.6.4 Handling/transport	0.1	2		0.1			0		
3.6.5 Manure waste	0.9	24		0.9			0		
3.6.6 Stress	0.1	3			0.6		0.7	22	
3.6.7 Integr. systems	2.5	64					2.5	78	
Approach 3.6 Total	3.9	100	5	1.3	0.6	-0.7	3.2	100	4
Objective 3 Total	82.1	100	100	11.3	7.3	-4.0	78.1	100	100

TABLE 5. OBJECTIVE 4: COMMODITY CONVERSION AND DELIVERY. FUND ALLOCATION STRATEGIES (INCREASES, DECREASES) FOR ACHIEVING TARGETED PROGRAM BALANCE AMONG APPROACHES AND APPROACH ELEMENTS

Approach Element	Present Program Balance			Planned Program Changes ($M)			Targeted Program Balance		
	$M	%Approach	%Objective	Decreases	Increases	Net	$M	%Approach	%Objective
Quality									
4.1.1 Characteristics	13.5	38		2.5			11.0	25	
4.1.2 Mechanisms	4.0	11			10.0		14.0	33	
4.1.3 Regulation	1.5	4			5.0		6.5	15	
4.1.4 Products	17.0	47		5.5			11.5	27	
Approach 4.1 Total	36.0	100	47	8.0	15.0	+7.0	43.0	100	49
Safety									
4.2.1 Intrinsic	11.6	52		4.0			7.6	36	
4.2.2 Extrinsic	10.8	48			3.0		13.8	64	
Approach 4.2 Total	22.4	100	29	4.0	3.0	-1.0	21.4	100	25
Loss Reduction									
4.3.1 Insects	5.2	50			1.6		6.8	44	
4.3.2 Microbes	3.0	29			1.5		4.5	29	
4.3.3 Deterioration	1.6	15			2.5		4.1	27	
4.3.4 Physical	0.6	6		0.6			0		
Approach 4.3 Total	10.4	100	13	0.6	5.6	+5.0	15.4	100	18
Systems									
4.4.1 Inefficiencies	1.7	20		1.7			0		
4.4.2 Concepts	2.1	26		1.3			0.8	11	
4.4.3 Grading	2.5	31					2.5	35	
4.4.4 Exports	1.9	23			2.0		3.9	54	
Approach 4.4 Total	8.2	100	11	3.0	2.0	-1.0	7.2	100	8
Objective 4 Total	77.0		100	15.6	26.6	+10.0	87.0		100

TABLE 6. OBJECTIVE 5: ADEQUATE HUMAN NUTRITION. FUND ALLOCATION STRATEGIES (INCREASES, DECREASES) FOR ACHIEVING TARGETED PROGRAM BALANCE AMONG APPROACHES AND APPROACH ELEMENTS

Approach Element	Present Program Balance			Planned Program Changes ($M)			Targeted Program Balance		
	$M	%Approach	%Objective	Decreases	Increases	Net	$M	%Approach	%Objective
Nutrient Requirements									
5.1.1 Infants & child	1.2	7			2.8	+2.8	4.0	17	
5.1.2 Preg., lact. women	2.2	14			0.8	+0.8	3.0	12	
5.1.3 Adults	7.0	43		0.6		-0.6	6.4	26	
5.1.4 Aging	5.8	36			5.2	+5.2	11.0	45	
Approach 5.1 Total	16.2	100	60	.6	8.8	+8.2	24.4	100	60
Nutrient Comp. & Bioavail.									
5.2.1 Composition	4.0	47		2.0		-2.0	2.0	20	
5.2.2 Bioavailability	4.5	53			3.5	+3.5	8.0	80	
Approach 5.2 Total	8.5	100	31	2.0	3.5	+1.5	10.0	100	24
Nutr. Status Evaluation									
5.3.1 Food composition	0.2	8			0.8	+0.8	1.0	15	
5.3.2 Status methodology	1.8	75			3.2	+3.2	5.0	73	
5.3.3 Family economics	0.4	17			0.4	+0.4	0.8	12	
Approach 5.3 Total	2.4	100	9		4.4	+4.4	6.8	100	16
Objective 5 Total	27.1		100	2.6	16.7	+14.1	41.2		100

TABLE 7. OBJECTIVE 6: INTEGRATION OF SYSTEMS. FUND ALLOCATION STRATEGIES (INCREASES, DECREASES) FOR ACHIEVING TARGETED PROGRAM BALANCE AMONG APPROACHES AND APPROACH ELEMENTS

Approach Element	Present Program Balance			Planned Program Changes ($M)			Targeted Program Balance		
	$M	%Approach	%Objective	Decreases	Increases	Net	$M	%Approach	%Objective
Integrative Systems									
6.1.1.Assessment	0	0			2.7		2.7	25	
6.1.2 Models	1.9	100			1.5		3.4	31	
6.1.3 Validation	0	0			2.8		2.8	26	
6.1.4 Remote Sensing	0	0			2.0		2.0	18	
Approach 6.1 Total	1.9	100	20	0	9.0	+9.0	10.9	100	86
Alternative Systems*									
6.2.1 Small Farms	1.1	14		0.6			0.5	29	
6.2.2 Organic	0	0		0			0	0	
6.2.3 Tropical	3.7	48		3.0			0.7	42	
6.2.4 Energy	2.9	38		2.4			0.5	29	
Approach 6.2 Total	7.7	100	80	6.0	0	-6.0	1.7	100	14
Objective 6 Total	9.6		100	6.0	9.0	+3.0	12.6		100

*Research on components of alternative systems is carried out under other Approaches.

NATIONAL RESEARCH PROGRAMS VS. STRATEGIC PLAN

Question: It would seem that one of the most important and unique responsibilities of ARS would be for National Research Programs that respond to national and international problems and research needs in crop and livestock production. Will your Strategic Program Plan improve, supplement, reduce or replace national research programs?

Answer: National Research Programs, NRP's, will be retained within ARS at this time only for program classification and accounting purposes. The Strategic Plan will strengthen the research programs administered by ARS by providing a mechanism for improved program management.

Question: How many program leaders do you have on your National Program Staff?

Answer: There are 29 program leader positions on the National Program Staff. Twenty of these are called National Program Leaders, six are National Program Directors, and three are Assistants to the Deputy Administrator for specialized areas.

Question: Are they adequate to lead these programs and support ARS scientists' needs?

Answer: Yes, the number of program leaders on NPS is adequate to lead these programs and support ARS scientists' needs.

RATIONALE FOR REDUCING EFFORT ON MULTIPLE METHODS OF PEST CONTROL

Question: On numerous occasions in the past, ARS has advocated a philosophy that would spread the burden of pest control over various methods, including resistant varieties, immunized livestock, biological agents, cultural and physical methods, agricultural chemicals, etc. Last year you provided testimony to the effect that pest control is essential for conserving the soil and for maintaining water quality. Meanwhile, this year you presented this Committee with a proposal that essentially eliminates the research programs that would make your beliefs of last year eventually come true.

What has caused you to shift your views so dramatically on these issues?

Answer: ARS has not in any way diminished its confidence in the soundness of a broad based multitactic approach to crop protection. What has changed is the Agency's scheduling of the order in which various broad program areas should receive major research emphasis. As explained below there is a sound and compelling rationale for diminishing emphasis in the near term for applied and developmental research on the various methods of crop protection, but to again increase such research after about a decade if the need is not then being met by other research performers. It should be noted, however, that the Agency plans to significantly increase research emphasis in the near term on integrative systems of crop protection.

The ARS 6-year Implementation Plan 1984-1990 is based on the assumption that there will be little real growth in resources available to the Agency. Since the nation is likely to be faced with surplus production of food and fiber for a number of years, additional emphasis must now be placed on achieving maximum use of agricultural products for domestic and export markets. Further increased emphasis on promoting optimum human health and well-being through improved nutrition has emerged as a national priority. Finally, research emphasis needs to be increased to slow the rate of loss of our soil and water resources that will become a major limiting factor in crop production within about two decades. The above imperatives require that some resources be reallocated from crop protection and crop production.

Since after about 2000 A.D. no additional land will be available for production, all increases in domestic and export demand will have to be met through increased productivity per acre. In order to provide the capability to sharp'/ increase productivity two decades hence, we must now increase emphasis on mission-oriented fundamental, long-range, high-risk research in crop protection and crop production.

Integrative systems research on crop protection will be increased in the near term. There is an urgent need to pioneer new approaches to dealing with the wide spectrum of interactive variables and constraints in crop protection, including pest buildup, weather, costs, and market prices. The intensive farming practices needed to increase future productivity will require increasingly expensive inputs that will significantly increase financial risks if crops fail. When agricultural productivity is pushed to the limits, rules of thumb and traditional criteria will be inadequate basis for decisions in crop protection. New management systems and models must be pioneered that account for the components of complex agricultural systems, and that accurately predict the consequences of alternative decisions.

Crop protection research areas selected for de-emphasis include development of crop hybrids and cultivars that are resistant to insects and diseases, cultural methods of pest control, applied engineering for crop protection, and development of technology for chemical pest control.

The development of pest resistant cultivars of major crops is now being accomplished by the private sector. Cultural methods of pest control tend to be local in nature and, therefore, more appropriate to mission of the State Agricultural Experiment Stations. Some of the resources now devoted to applied engineering and to the development of chemical control technology will be more profitably utilized in basic research on discovering new vulnerabilities to control, means of coping with resistance to pesticides, etc.

In conclusion, there has not been a shift in philosophy on how best to protect crops. On the contrary, ARS is attempting to implement a strategy for enhancing crop protection in future decades when there is substantial uncertainty that food and fiber supplies will match domestic and export needs.

PLANT AND LIVESTOCK SYSTEMS

Question: Your implementation plan would reduce livestock research by $4 million and crops research by $29 million. Clearly, you intend to curtail research to manage and protect livestock and crops more cost effectively, At the same time, you plan to substantially increase funds to develop integrated management systems of crop and livestock production.

Please explain how it is possible to undertake research on systems without the companion research (which you are cutting or eliminating) needed to develop, modify, and validate the component methods from which the systems would have to be put together.

Answer: The increase in research effort on plant and livestock systems will be accomplished by redirection to permit an aggregation of plant and animal scientists that will provide answers to high-priority national problems. The base of $214 million in plant and animal production research provides an adequate base of companion research necessary to support the increased effort in plant and animal systems research. The overall ARS implementation plan calls for the redirection of funds to those areas of research that have greater potential for improving the long-range efficiency of livestock and crop production.

LONG-RANGE PLANNING

Question: In your implementation plan you propose drastic cuts in crop and livestock protection research. You are proposing this at a time when safer and more efficient pest control is needed to just maintain yields and cut production costs. It also occurs to me that these research programs are also quite essential in helping make reduced tillage practices for erosion control practical and cost-effective.

Before considering your proposed reallocations out of the pest control research programs, those in Table 3, Section 2.4 of your plan, I will ask that you provide the details of each individual project, the objective, status, location, and the manpower and budget support currently allocated. Include your rationale for each of these reallocations and how you propose that these continuing pest control research needs will be met in the farmer's best interest.

Answer: ARS is currently conducting the operational planning phase of the Program Plan. We expect it will be several more months before we determine the specific projects and locations that will be affected by the shifts in program emphasis and de-emphasis. We will provide this information to the Congress when it is available.

Question: Last year you and Dr. Bertrand expressed intense concern that yields have leveled off for some crops and that the rate of annual increases in yields for others has diminished. This problem seems particularly serious in cotton, sugarcane, rice and barley. Also, there is concern that the rate of yield increase has diminished for corn, wheat and soybeans.

Did you take this yield decline problem into account when you proposed a shift of nearly $29 million away from crop production and crop protection research?

Answer: Yes. The program plan addresses the need for long-term increases in productivity. We strongly feel that reversal of yield declines and acceleration of agricultural productivity depends heavily on new technological breakthroughs, not just refinement of existing technologies. Renewed research emphasis in the productivity programs will be focused on the exciting new areas of plant science and pest biology that will provide the scientific knowledge for necessary breakthroughs. Also, acceleration of research in the soil and water conservation area will help maintain and improve the productive capacity of our natural resource base for the long-term.

Question: Long-term research may help in some future time, but this problem is here now and for the immediate future. How do you propose to address and, hopefully, correct the problem in yield decline after you have eliminated most of your research capability which is specifically designed to respond to this issue?

Answer: ARS does not intend to eliminate most of its research capability to address yield problems in crops. More than 82 percent or $136 million, of the existing plant productivity research program, is projected to be retained for the year 1990. Approximately 50 percent of this effort will be classified as applied research, whereas the remaining will be fundamental which is still directed toward solving real problems in agriculture. By determining new scientific data and understandings of biological systems, we expect to be able to solve problems which cannot be solved by applying existing knowledge or current technology.

Question: I see you are proposing cuts in the order of 40 to 60 percent in those research programs associated with crop production management for field crops and horticultural crops. These research programs include agricultural engineering, plant pathology, entomology, weed science, plant physiology, and the basic research in support of principles for the safe and economical use of agricultural chemicals.

It is my understanding that these research programs are responsive to solving ongoing technical and resource problems, as well as attempting to mitigate or prevent anticipated problems before they occur. It seems to me that without the integrated support of these research programs the stability we now have in at least maintaining our crop production efficiency would be seriously jeopardized.

Would you agree and would you re-examine this with your constituency and reconsider your proposed allocations.

Answer: We do not feel that the planned ARS program reallocations will jeopardize the capability of the entire Federal, state, and private sector agricultural rsearch system to maintain the nation's crop production efficiency in the short-term. Furthermore, in the long-term we are confident that production capabilities and efficiencies will be significantly enhanced by the planned program changes. We intend to fully discuss and examine the ARS program targets and plans with our cooperators and research users.

Question: It also occurs to me, from the standpoint of efficiency and productivity, what would you consider to be the effect of your proposed cuts on the outstanding scientists you have been able to retain and the potential for recruiting outstanding young scientists for vacancies in these areas?

Answer: We expect the impact of the ARS program plan to be highly positive on our outstanding scientists and on our ability to recruit new, young scientists. ARS needs and intends to employ as many scientists in the next six years as we have on board today. The changes in program emphasis will require that some of these scientists focus their discipline and capabilities on new, high priority research areas. We know from experience that outstanding scientists want to work on the most important areas. Likewise, our best recruitment tool for the new and modernly trained young scientists is to have dynamic and progressive program goals for them to address.

LONG-RANGE PLANNING

Question: You are proposing substantial cuts in research to control livestock diseases and pests. This suggests that you do not regard the control of economic losses from diseases, poisonous plants in range and pastures, predators, and insects to be a significant factor in helping livestock producers to survive the cost-price squeeze.

Answer: The proposed 6-year target reflects only a 1 percent decrease for animal production and protection research. The targeted net decrease in the animal protection area is about 1.0 million dollars on a 1982 base of 54.0 million dollars. This decrease will help provide for increases in the product use, human nutrition, and natural resources areas. This decrease will be achieved by decreasing such areas as field testing of killed and attenuated vaccines, applied nutrition research, and applied animal breeding. Increased emphasis will be placed on such areas as genetic resistance to insects and disease and genetic engineering of vaccines and production traits.

Question: Please provide a listing of the estimated dollar losses and costs of control for livestock diseases, poisonous plants, predators and insect pests of livestock.

Answer: There are no accurate, objective measurements of the losses sustained by animal agriculture in the U.S. However, estimates of annual losses, including cost borne by farmers for control, from diseases are $6 billion, from poisonous plants are $0.5 billion, from predators are $0.4 billion, and from insects are $4 billion--Report by Council of Deans, Association of American Veterinary Medicine Colleges, February 1981.

Question: During the past three years this Committee has emphasized the need for research to reduce the costs of production and to increase net profits to farmers. Farmers need this kind of help to remain in business. Yet, a review of your plans does not reveal any emphasis to accomplish this objective. Would you advise the Committee to legislate a requirement for research to reduce costs of production, or will you modify your priorities?

Answer: There is no need to legislate a requirement for research to reduce production costs. The majority of research underway is directed toward increasing efficiency of production. The targets of the implementation plan increase emphasis on efficiency of production for the long-term. Increased research on product use in several areas will help identify selection criteria to increase production efficiency. According to most farm commodity groups, at this time and for the next few years a market for farm products and higher prices for farm commodities are very high priority needs. In order to increase research in these areas on a constant real dollar budget, some area must be decreased. ARS has and will continue to have a large amount of shorter-term research aimed at increasing efficiency of production. State agricultural experiment stations and research by industry have a high percentage of their research efforts directed toward increasing efficiency of production in the shorter-term.

AGENCY REQUEST

Question: Dr. Kinney, I am interested in the contributions your own scientists made to the ARS plan.

Will you provide, for the record, a list of the areas of research and programs that were recommended for initiation or expansion in the FY 1984 budget by your scientists and managers in ARS prior to review by your office, the Office of the Secretary and the Director of OMB? What was the total amount of these recommended increases?

Answer: Yes sir. (The list follows:)

	$ in thousands		
Program Recommendations	Agency Req.	Dept. Req.	Budget Req.
Fundamental Research			
Animal Production Efficiency (including genetic engineering; reproductive physiology; immunology and growth and metabolism)	10,000	3,708	750
Crop Production Efficiency (including host-pest interactions; genetic engineering; pest and weedseed control; genetic control of plant adaptation and postdoctoral fellowships)	5,600	1,750	1,750
Soil, Water Conservation and Use (including soil-water-plant interrelationship; soil organic matter effects; nutrient uptake of plants; soil-plant-herbicide interaction and soil reaction to forces exerted by microorganisms, roots and machines)	3,000	1,750	--
Post Harvest Sciences (including bioregulation to control losses and enhance value; host-pest interaction and meat structure and composition	2,000	2,450	1,550
Human Nutrition (nutrient effects on body metabolism and function)	1,000	--	--
Germplasm Resources (including acquisition maintenance; identification of useful characteristics; germplasm enhancement and new crops research)	10,000	6,700	--

Program Recommendations	Agency Req.	Dept. Req.	Budget Req.
Support for Action Agencies			
Support for APHIS (including animal health research; plant protection research on pests and post-harvest research on commodity treatments.......	6,650	6,650	--
Support for DoD (protect man and food rations from pests....................	600	--	--
Support for SCS (including soil erosion control-conservation tillage systems; water resource management and management systems for rangelands).....	5,250	3,600	--
Support for FAS (including development of systems to monitor worldwide crop conditions and research to enhance exports)............................	500	200	--
Support for FNS (assess nutritional status of the population).............	1,500	300	300
Support for FSIS (reduce sodium in foods and control microorganisms in food.....	500	500	--
Human Nutrition (including nutrition and aging; nutrition for infants and pregnant and lactating women, nutrient composition and bioavailability; and nutrition requirements)..............................	3,000	2,000	900
Higher Education			
Competitive Fellowship Grants...........	10,000	--	--
Total Increase Recommendations.........	59,600	29,608	5,250

Question: Were the recommended research increases, those first proposed by your ARS scientists, deleted from the ARS FY 1984 budget by your office, the Office of the Secretary or by the Office of Management and Budget?

Answer: The development of the FY 1984 budget, as in previous budgets, involved the review and evaluation of many new or expanded program initiatives. As increase recommendations and justifications are channeled upwards in the budget process, they obviously contend with a much broader set of issues, needs and priorities. This process historically dictates reduced funding allowances at each level as competition for limited resources becomes more intensified.

CROP AND LIVESTOCK SURPLUSES

Question: We have all experienced periods in which crop and livestock products exceed demand. Surpluses that occur one year may be deficits a year later. Do you think that it is good research policy and planning to use research as a tool to solve crop and livestock surpluses?

Answer: Yes, to the extent research can help solve problems caused by crop and livestock surpluses, we feel that ARS should contribute. We fully recognize that reductions in applied production research will not reduce the surpluses we have today; this is not the issue or our objective. But increased research addressed to the quality and marketability of farm products will help stimulate their demand and competitiveness in domestic and foreign markets. With limited ARS resources, ARS has no choice but to rebalance its allocations by reducing less needed production research in order to respond responsibly to critical post-harvest and conservation research needs that exist for the 1980's.

SOIL EROSION

Question: Secretary Block and the Chief of the Soil Conservation Service have expressed concern about the serious problems caused by soil erosion. They know that this problem can be greatly helped by reduced, or conservation tillage technology, especially if weeds can be controlled with herbicides.

Since weeds are a serious obstacle to the adoption of conservation tillage by farmers, what is your request for funds in FY 1984 for conservation tillage?

Answer: No increases in funds were requested in FY 1984 for conservation tillage research.

Question: How much of this increase will be directed to research on weed control to support conservation tillage?

Answer: Since in FY 1984 no funds were requested for conservation tillage research, no new funds will be directed to increase weed control research to support conservation tillage above the FY 1983 level.

Question: How many scientists in ARS are currently conducting weed research to support conservation tillage?

Answer: Five ARS weed scientist years are used to conduct weed control research to support the development of conservation tillage technology.

SUNFLOWERS

Question: As you know, sunflower is one of the leading crops in North Dakota. It is a fairly new crop and has been a major factor in profitability for many farmers in my area.

The crop is not, however, without some serious problems. The most serious is the number of insects that plague the crop.

Could you outline just how much money there is in the budget for sunflower research -- of all kinds?

Answer: The estimated Fiscal Year 1984 budget for all sunflower research is $1,540,000.

Question: Where is this research located?

Answer: The distribution of this funding by location is as follows:

Location	Estimated Funding for Fiscal Year 1984
Davis, California	$105,000
Athens, Georgia	330,000
Dawson, Georgia	4,000
Ames, Iowa	5,000
Beltsville, Maryland	48,000
Mississippi State, Mississippi	13,000
Fargo, North Dakota	573,000
Brookings, South Dakota	1,000
Bushland, Texas	435,000
Madison, Wisconsin	26,000
Total	1,540,000

Question: So you feel there is a need for long-term, basic research on the insects that plague this crop?

Answer: Yes. ARS scientists at Fargo, North Dakota are carrying out fundamental studies of the biology and ecology of insect pests to provide a basis for economically and ecologically sound insect management programs for sunflower.

QUESTIONS SUBMITTED BY SENATOR KASTEN

BEE RESEARCH FACILITY

Question: Rumor has it that USDA is contemplating a move of the Bee Research Facility in Madison-Wisconsin to Phoenix-Arizona.

Would you please confirm or dispell this rumor?

Answer: As a part of the ongoing review and management of resources available to address the significant issues faced by U.S. agriculture, plans have been developed to consolidate the bee research in Madison, Wisconsin, with the ongoing bee research programs at Baton Rouge, Louisiana, and Tucson, Arizona. The bee behavior and engineering research presently at Madison will be redirected to African-bee genetics research at Baton Rouge, Louisiana, and the pollination and honey production research now being conducted at Madison, will be consolidated with bee pollination research at Tucson, Arizona.

Question: If confirmed, please explain the rationale for implementing this move? Cost to carry out this move?

Answer: These plans were made to enable us to increase the research on African bee genetics as a basis for developing an effective management program should the African bee spread into the United States and also to increase the efficency and use of honey bees in crop pollination. These changes will allow us to increase the research on these two important problems and, at the same time, reduce incidental costs associated with maintaining the separate program at Madison, Wisconsin.

As a result of these changes, a total of six personnel would be reassigned at an approximate cost of $60,000.

DAIRY FORAGE FACILITY

Question: Would your staff please provide for me a status report on the Dairy Forage Facility located in Madison-Wisconsin. In particular, accomplishments for the past year, current projects and objectives and benefits associated with these projects. In addition, please provide USDA's justification for funding at the proposed level in FY 84 for the Dairy Forage Facility.

Answer: The new U. S. Dairy Forage Research Center at Madison, Wisconsin and cluster locations in seven other states is developing very well. We are pleased with the caliber of scientists we have been able to attract to the program so far. Preliminary findings obtained in 1982 indicate that losses in alfalfa hay can be reduced considerably by the use of anhydrous ammonia applied as a preservative during baling. Research is underway to find ways to increase feed conversion efficiency, reduce losses of nutrients from forages, and reduce the cost of producing forages. At present, more than 50% of the protein a cow consumes is lost by excretion as urea; losses in harvesting, storing and feeding alfalfa hay reduce by 75% the nutrients available for use by the cow; and the cost of establishing fields of forages like alfalfa can be as much as $100 per acre.

Plans for the Center call for a program funded at about $5 million when fully staffed. The center's budget was increased $500,000 to $2.6 million dollars in 1983 and is projected to remain at that level in 1984. We believe the Center to be adequately funded for its present stage of development and in light of overall ARS funding and staffing constraints.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

CALICIVIRUS

Question: In the period of 1952-1954 a vesicular disease (vesicular exanthema of swine) caused by calicivirus spread throughout major swine producing areas of the U.S. The disease was eventually eradicated in 1956, but at a total program cost of over $39 million. There is evidence that this disease, which was once thought to be extinct, has now resurfaced and has naturally infected cattle. There is also some evidence that suggests the possibility that this virus will infect humans. I need not tell you how damaging this disease could be to U.S. exports of cattle and pork.

Are there now research programs in place in the Agricultural Research Service to research this disease, at what level are they being funded and where is this research taking place?

If this research is not being conducted, why not?

Answer: We have been informed that a calicivirus has been isolated from three calves in one herd. These calves exhibited varying degrees of enteritis, however, the virus isolated has not yet been shown to be the cause of the enteric condition, nor has it been identified as causing vesicular exanthema of swine.

According to a group of ARS, APHIS and University scientists who met in Des Moines, Iowa, March 16, 1983, there is no evidence to indicate that vesicular exanthema of swine has resurfaced and is in fact, infecting cattle or swine. The group did agree that caliciviruses have been isolated from marine mammals and land mammals and that these viruses are serologically similar to the vesicular exanthema of swine virus. It was the vesicular exanthema of swine virus that caused severe economic losses in the swine industry from 1932-1956, at which time it was eradicated.

Because the recent isolates of caliciviruses have not been shown to have any economic significance in farm livestock, and because they have not been associated with clinical disease under natural conditions of production environment, and because the disease has not been detected under field conditions through the surveillance system currently in place by Animal and Plant Health Inspection Service, research on these agents has not been given a high priority. Therefore, work has been limited to maintaining the capability to identify the 13 serotypes of vesicular exanthema of swine virus which were known to cause that disease prior to 1956. This diagnostic capability is being maintained at the Plum Island Animal Disease Center Diagnostic Research Laboratory.

Question: What level of funding would be needed to address this program adequately?

Answer: At this time it seems only appropriate to determine whether recent isolates of caliciviruses can cause clinical disease capable of spreading in swine and cattle and to project the significance of the disease in farm livestock under natural conditions.

Question: If this research was conducted, where could it be housed on the most cost-effective basis?

Answer: If it is determined that caliciviruses represent a major threat to the U.S. livestock industry, thus requiring a sustained research effort, the most cost-effective location to address the problem would be the National Animal Disease Center, ARS, Ames, Iowa. APHIS also has a diagnostic laboratory at Ames, Iowa. If an exotic calicivirus is indicated, the research must be done at the Plum Island Animal Disease Center. Oregon State University has the expertise and the facilities to adequately determine whether recent isolates of caliciviruses can cause clinical disease capable of spreading in the swine and cattle populations.

Question: It is my understanding that Oregon State University has submitted a research proposal for a calicivirus studies center to USDA and that this proposal has been reviewed and approved in principal by the USDA's "Parent Committee on Foreign Pathogens and Vectors". In addition, a site visit team from that Committee inspected and reported on Oregon State's facilities and staff and gave approval to the facility and endorsed Oregon State University's staff for the research proposed. Is this a correct understanding?

Answer: According to the Animal and Plant Health Inspection Service, a site visit team did approve the Oregon State University facility for continued work in calicivirus research but this does not constitute approval of the research proposal. However, all tissues submitted to Oregon State University collected from farm livestock suspected of vesicular lesions must be sent to Plum Island Animal Disease Center for immediate diagnosis. It was not the intent of the site visit team to authorize diagnostic capability to be established for exotic vesicular diseases at Oregon State University.

Question: If so, what action is being taken to follow-up on that report and endorsement?

Answer: As a result of the discussion with members of Oregon State University staff, Animal and Plant Health Inspection Service and Agricultural Research Service scientists, and representatives of the swine industry, the Oregon State group was asked to prepare a proposal more specifically oriented to address the need to determine whether caliciviruses can cause clinical disease capable of spreading in swine and cattle. This information can then be used as a basis to establish the potential significance of the disease in the farm livestock populations in the United States.

Question: Is ARS contemplating funding research on calicivirus at Oregon State University?

Answer: Yes. When the specific proposal requested at the March 16, 1983 meeting at Des Moines, Iowa, is received from Oregon State University and has been reviewed and evaluated by ARS scientists, a decision on funding capability will be conveyed to the Oregon State University staff.

If a significant program of research is eventually determined to be essential to address calicivirus in farm livestock, the major effort will be initiated inhouse at our National Animal Disease Center in Ames, Iowa, and the Plum Island Animal Disease Center.

RESCISSION

Question: As you know, the Department has submitted a rescission request for the $750,000 for planning, engineering, preconstruction and site preparation for the Forage Seed Production and Research Center at Corvallis, Oregon. I note in the Department's FY 1984 budget justification, though, that "design work will commence in the third quarter of fiscal year 1983" on this Center. This leaves me with the very distinct impression that the Department was fully aware that the rescission request would never be approved by Congress.

Is this a correct understanding of this situation? If so, for what reason, then, was a rescission request ever submitted in the first place?

Answer: After the Appropriation Act is signed but before the Agency completes an apportionment request of the funds, our facility engineering and management function prepares a preliminary schedule for the project so that appropriated funds can be expended expeditiously and effectively without loss due to inflation and cost escalations. Concurrently, our budget function prepares the apportionment requests for distribution of the funds which is submitted through the Department to OMB. Therefore, in December 1982, it was the Agency's intention to proceed with facility planning, which includes design. However, it was during the apportionment that OMB overruled the Department and the Agency and recommended the rescission of all FY 1983 appropriated funds for facilities in late January 1983. By that time, the Budget Justification material had already been prepared for submission to the Congress.

Question: In addition, I would like to know what purpose was served by delaying action on the preliminary design and engineering work for the Center and what was the justification for this action?

Answer: While the Congress considers the OMB recommended rescission, ARS is unable to proceed with the planning, engineering, preconstruction or site preparation of the Center. If the Congress does not approve the proposed rescission, we will move quickly to obligate funds for these activities.

Question: In a letter that I received from Secretary John Block on March 9, 1983, he stated, "If Congress does not approve the recission proposal, we will move quickly to obligate funds for these activities." What is the timetable for obligating these monies for these activities?

Answer: The Agency still intends to obligate these funds. However, recent events may change the use of this FY 1983 appropriation. On March 21, ARS representatives met at Oregon State University in Corvallis to review and discuss this proposed facility and research program. Apparently, there is sufficient laboratory and office space on campus in the existing Forestry Sciences Laboratory owned by the Forest Service.

The attendees toured the building and all facilities appeared to satisfy nearly all the program needs for the Forage Seed Research Center. The FY 1983 funds could be used to renovate and improve the existing space and construct additional facilities, such as a headhouse/greenhouse. Therefore, these uncertainties must be resolved to permit ARS to proceed with the facility modifications and construction in FY 1983.

Question: Mention in that letter of 3/9/83 from Secretary Block was made of the "initiation of some tasks in FY 1984 if required for efficient management of the funds". What tasks is the ARS contemplating for initiation in FY'84?

Answer: ARS would need the funds appropriated in FY 1983 for planning to be accompanied by the necessary appropriation language that will permit ARS to continue with the obligations in FY 1984 to fully accomplish the alterations and improvements to the Forest Service facilities. ARS expects to acquire space for these forage seed research programs through a long-term lease with the Forest Service. The task contemplated for initiation in FY 1984 would be the alteration and improvement of the Forest Service facilities, that could not be completed in FY 1983. This project has been delayed an additional four months due to the rescission recommendation made by OMB.

FOOD AND AGRICULTURAL SCIENCE GRADUATES

Question: In 1980 the U.S. Department of Agriculture conducted a study which projected that overall annual demand for college graduates with expertise in the food and agricultural sciences will exceed available supply by 13 percent. In many occupations, such as manufacturing and processing scientists, the shortages are more severe. What actions have been taken by the Department, subsequent to this study, to address these concerns?

Answer: The Department of Agriculture has seriously considered these supply/demand imbalances. We have initiated several projects in an effort to stimulate the development of food and agricultural expertise. These include:

DEVELOPMENT OF A FOOD AND AGRICULTURAL EDUCATION INFORMATION SYSTEM (FAEIS)

Cooperators have expressed a priority need for a national information system documenting the various attributes of food and agricultural higher education programs. The greatest needs are for comprehensive national data which will provide a detailed characterization of agricultural college teaching programs. The system being developed will help to identify enrollment and degrees conferred trends, problems associated with hiring and retaining highly qualified teaching faculty, and support for graduate students in various disciplines comprising the food and agricultural sciences.

COMPREHENSIVE PROGRAM PLANNING AND DEVELOPMENT FOR FOOD AND AGRICULTURAL SCIENCE HIGHER EDUCATION PROGRAMS

University cooperators are being utilized extensively to provide assistance to the OHE director with regard to comprehensive program development. Via task forces, conferences, and panels of experts, cooperators are working jointly with OHE to address such issues as development of an improved communications system, establishment of linkages between the private sector and the education community, and identification of national testing programs which tend to discourage election of a college major in agriculture. Additionally, university cooperators are being used to prepare draft program documents, conduct requested studies to provide needed background information for management decisions, and to review the role and functions of OHE.

FACULTY DEVELOPMENT INITIATIVE

The primary objective of this project is to enhance food and agricultural higher education by strengthening the competencies of teaching faculty. An industry-education task force is addressing needs and implementation priorities with regard to sabbaticals, short courses, workshops, and scientist/faculty exchange programs between government, industry, and education.

AGRICULTURE AND NATURAL RESOURCES CURRICULA ASSESSMENT AND DEVELOPMENT

Teaching and industry cooperators have identified curriculum development as a priority concern. At the request of cooperators, OHE initiated a national assessment of college undergraduate curricula in agriculture and natural resources in FY 1982. This curriculum project is being continued for FY 1983 with emphasis on articulation of high priority curricula models and courses. Task forces are being used to develop mechanisms to implement needed innovations in courses and curricula.

We have further supported the land-grant and nonland-grant universities in the development of a national position paper identifying issues relative to strengthening higher education in the food and agricultural sciences and strategies for responding to the looming shortages of scientific and professional expertise in the food and agricultural sciences.

Additionally, in the FY 1984 budget for the Agricultural Research Service, we have included a request for $500,000 for postdoctoral fellowships in the food and agricultural scienes. The funds will be used to support approximately twenty scientists accepted for postdoctoral training under the direction of ARS scientists working on mission-oriented basic research at a Federal laboratory. This program will strengthen the Department's research capabilities by providing increased opportunities for postdoctoral scientists to introduce new ideas and approaches which will complement and challenge the experience and expertise of agency researchers.

Question: Does the Department envision the federal government being engaged in a program for the recruitment and support of the education of persons to fulfill these positions?

Answer: Yes, however, economic constraints have not permitted further expansion of programs in this area. We believe there is an appropriate role for the federal government. History has shown that a strong, productive agricultural base and effective food processing, marketing, and distribution systems are fundamental to national progress and high standards of living. Much of the success of U.S. agriculture can be traced to the long established Federal-State partnership involving the land-grant universities, agricultural experiment stations, and the Cooperative Extension Services. More recently, this partnership has been expanded to include the nonland-grant college and university community.

A strong and efficient agriculture is strategically important to our Nation. Favorable agricultural cost efficiencies are heavily dependent on research and education, but in the last few years there has been a decrease in real dollars for support of agricultural research and education. These activities need an infusion of support if we are to reduce costs of production and respond to the increased food demands associated with a predicted doubling of the world population in the next 60 years.

An adequate supply of university and college graduates with requisite expertise is basic to advances in agriculture. The scientific and professionally trained food and agricultural labor force has been relatively adequate in the past, but as indicated in a recent USDA-Office of Higher Education study, serious shortages currently exist and are projected to increase through the 1980's in many important areas. These include agricultural engineering, agricultural economics and business, plant and animal molecular genetics, soil and water sciences, animal health, food science, animal reproducton, and human nutrition. The paucity of graduates with advanced degrees who are essential to research, education, and extension programs is especially alarming. Based on data from the National Center for Education Statistics, the number of advanced graduates in these academic specializations show relatively little or no growth and several show a decreasing trend. Furthermore, more than 30 percent of the graduates with advanced degrees in the food and agricultural sciences are foreign nationals on temporary visas. Unless reversed, these trends will severely impede future agricultural efficiencies.

Question: What form would such a program take in the Department's view, what would be its cost, and where would it be housed at USDA?

Answer: Ideally the program to address these shortages would be a graduate fellowship program pursuant to Section 1418 of P.L. 97-98. These fellowships would be an important means of increasing agricultural scientific and professional expertise in priority specializations. The cost of such a program would be dependant on the number of fellowships offered. For example, we could support approximately 350 graduate fellowships on an appropriations base of $5 million. A fellowship program based on authorities contained in the Agriculture and Food Act of 1981 (P.L. 97-98) would be administered by the Office of Higher Education Programs in the Agricultural Research Service.

PROJECTED RETIREMENTS OF SCIENTISTS IN ARS

Question: There is an additional concern that many scientists in the Department are quickly approaching the age of retirement, since a high proportion of these individuals were hired shortly after World War II. Could you provide for the Committe a breakdown of the age and location of scientists in the Department, as well as the numbers of scientists that have retired over the past five years. In addition, could you provide a projection for future retirements in this area from the Department.

Answer: The number of scientists in ARS that have retired over the past five years is 276. Also, there is a 33 percent eligibility for retirement reduction projected over the next five years. Provided is a table showing the breakdown of the age and location of scientists in ARS. (The information follows:)

Location	Under 30	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 & Over	Total ARS Scientist
				Age Category						
International Activities	-	-	1	2	2	-	1	-	-	6
Beltsville, Agricultural Research Center	9	37	50	57	51	55	42	23	9	333
North Atlantic Area	1	12	12	15	25	19	6	8	1	99
Eastern Regional Research Center	1	9	14	16	22	18	18	18	5	121
Plum Island Animal Disease Center	-	-	6	2	2	3	3	3	3	22
National Arboretum	-	-	-	-	1	2	2	-	1	6
Beltsville Human Nutrition Research Center	-	1	10	7	8	6	4	4	1	41
Northern Regional Research Center	2	7	7	19	25	39	15	15	2	131
National Animal Disease Center	3	7	5	8	12	8	11	4	3	61
Lake State Area	2	6	10	19	20	15	14	5	2	93
Mid Great Plains Area	2	17	28	29	25	20	17	11	4	153
Northern States Area	1	9	21	30	32	22	8	6	3	132
Dakotas Area	-	-	-	-	-	-	1	-	-	1
Grand Forks Human Nutrition Research Center	-	1	1	4	1	1	-	-	-	8
Western Regional Research Center	6	5	14	24	22	21	15	6	4	117
California-Hawaii Area	-	5	10	9	20	18	12	6	5	85
Arid Southwest Area	1	7	13	13	15	28	14	2	1	94
Rocky Mountain Area	1	11	9	13	14	17	9	4	-	78
Pacific Northwest Area	2	8	8	20	29	30	22	11	-	130
Western Human Nutrition Research Center	-	1	1	1	1	1	-	-	-	5
Southern Regional Research Center	-	3	6	11	12	20	13	5	4	74
Oklahoma-Texas Area	5	20	29	41	42	36	21	10	2	206
Delta States Area	5	8	26	24	20	25	14	9	1	132
Florida-Antilles Area	-	5	15	22	22	23	12	8	-	107
Southeast Area	4	13	24	34	34	44	23	8	2	186
Mid-Atlantic Area	3	9	12	17	15	13	16	10	1	96
Total	48	201	332	437	472	484	313	176	54	2,517

RECRUITMENT OF SCIENTISTS

Question: Is the Department aware of the growing concern over replacement of those persons?

Answer: Yes, ARS is aware of the aging scientists work force since it has been a highly publicized concern for some time. There is a monthly announcement system used by ARS to recruit new scientists in Life Scientist Positions. This announcement is mailed to over 2,000 addresses throughout the United States. In addition, ARS uses paid advertisement in professional journals such as the Science. ARS has also become more agressive in hiring part-time graduate students under Cooperative Education programs, Cooperative Agreement programs and other similar arrangements. Through such efforts it is possible to provide part-time technical and professional support to research scientists while developing these potential Ph.D. graduates into specialists informed about and involved with specific ARS research programs. It defuses some of the concern over the aging work force by establishing replacement potential without a permanent hiring commitment.

Question: What actions are being taken to recruit new scientists?

Answer: There is a monthly announcement system used by ARS to recruit new scientists in Life Scientist Positions. This announcement is mailed to over 2,000 addresses throughout the United States. In addition, ARS uses paid advertisement in professional journals such as the Science. This is a traditional way of hiring for "new" or "replacement" research positions. ARS has also become more aggressive in hiring part-time graduate students under Cooperative Education programs, Cooperative Agreement programs and other similar arrangements. Through such efforts it is possible to provide part-time technical and professional support to research scientists while developing these potential Ph.D. graduates into specialists informed about and involved with specific ARS research programs. It defuses some of the concern over the aging work force by establishing replacement potential without a permanent hiring commitment. We need to be more aggressive in increasing the number of such opportunities.

Question: What is the current replacement ratio of scientists leaving and being hired by USDA? What are USDA's projections for future needs?

Answer: Based on activity in FY 1982, the current replacement ratio of scientists leaving and being hired by Agricultural Research Service is 1/.62. ARS completed a program plan for meeting the present and future needs of U. S. Agriculture. As a result, an operational Plan is being prepared to identify which projects of highest priority ARS will support. These plans will impact our present scientific workforce profile and hiring patterns. We are not sufficiently along in this planning process so that realistic projections can be made as to specific numbers of specialists needed in the future. However, several occupations such as biophysicists, molecular biologists, computer scientists and chemical engineers are readily obvious. Once the planning process is completed, we expect to have a much more specific understanding of where we want to go, the amount and type of resources we need to get there, the existing resources that can be applied to the objectives and what additional resources we need to acquire. The principle resource concern in all of this process is the number and type of scientists needed.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

OTHER AGENCIES FUNDING AGRICULTURAL RESEARCH

Question: The recent report by the National Agricultural Research and Extension Users Advisory Board indicated the following:

> "...There are at least 14 agencies outside the Department that are authorized to award grants for agricultural research. In 1981 the level of funding for agriculture research in these agencies was greater than the USDA Science and Education research budget. The proposed FY 1984 budget makes this situation even worse...."

Please provide the details behind this, i.e., what other agencies are funding agricultural research and what level of funding for this purpose did they have in FY 1981 and would they receive under the FY 1984 budget?

Answer: Funding levels requested in FY 1984 for agricultural research by these agencies are not available at this time. Many of the agencies do not track funding for agricultural research on a regular basis. However, we are aware of a significant increase in the National Science Foundation recommendation in the 1984 Budget. The information for FY 1981 follows:

Federal Food and Agricultural Research Programs
Conducted by Departments or Agencies
Other Than USDA

Agency	(Million of dollars) FY 1981
Agency for International Development.......	$ 108.7
Department of Commerce....................	72.5
Department of Defense.....................	25.0
Department of Energy......................	36.5
Environmental Protection Agency...........	13.5
Department of Health and Human Services....	193.8
Department of Interior....................	103.9
International Trade Commission............	1.4
Department of Labor.......................	2.6
National Aeronautics and Space Administration	25.0
National Science Foundation...............	24.5
Tennessee Valley Authority................	19.5
Veterans Administration...................	2.6
Totals..................................	$ 629.5

CRITICISM BY THE USERS ADVISORY BOARD

Question: The Users Advisory Board (UAB) was critical of the lack of effort by ARS to develop a critical mass of scientists in genetic engineering and bioregulation. What is ARS doing to respond to this criticism and is this criticism valid?

Answer: The Agricultural Research Service is not new to the field of genetic engineering and bioregulation. For many years, the Agency has supported research in many disciplines that serve science for agriculture. In 1982, ARS foot-and-mouth research culminated in the cooperative effort with industry that yielded a genetically engineered protein that is being developed as a vaccine for foot-and-mouth disease. Over the last few years, ARS has been developing teams to address some of the large and complex issues in biology using the tools of genetic engineering. A significant research effort, which is underway at two locations, is focused on the storage proteins of soybean seeds. A similar activity at another location is focusing on the storage proteins of wheat seeds. To date the Agency has not established an institute directed solely at genetic engineering, however, there are plans for such a research group. It is hoped that in the near future we will be able to aggregate present base funds and new resources into a world class research group, which will be dedicated to those long-range, high-risk problems that will require a commitment from a centrally managed mission-oriented research institution, in order for their solutions to be realized. We are in complete agreement with the Users Advisory Board on the concept of the need for a critical mass of scientists in genetic engineering and bioregulation and the Agricultural Research Service is presently assessing its resources to accomplish that suggestion by the Board.

Question: The UAB criticized ARS for proposing to spread increases for genetic engineering in the budget too thinly around at various ARS locations. Why is this being done and would it not make more sense to develop a well-funded research effort at one prime location to carry out this work.

Answer: The Fiscal Year 1984 budget increase asking for genetic engineering, if received, is planned for a "critical mass," of over $1 million. When addressing this issue, one must recall that genetic engineering is a tool that is being used not only to create new forms of agriculturally important germplasm, but in the short term will likely be more important as a research tool for understanding the structure, organization, and function of microbial, plant, and animal genes. For these reasons, as the genetic engineering technology is expanded in the Agency's programs, it is important to establish both centers of critical mass as well as making the technology available to existing research groups which have high proficiency in genetics and biology in order to bring this new technology to those investigations.

LABORATORY CLOSURES

Question: Dr. Kinney, your statement indicates that additional redirections in research will be undertaken in FY 1984. Are any lab closures being contemplated or planned for in fiscal year 1984? If so, please provide the details on each location, i.e., current projects, amounts of dollars involved, number of staff involved, where funds will be redirected to, etc.?

Answer: There are no laboratory closures contemplated or planned at this time for FY 1984.

REDIRECTIONS

Question: One redirection being considered would result in the termination of wheat quality work in the Northwest even though this work is highly related to the success of wheat exports from this area. Why are these funds being proposed for redirection and has any effort been made to work with the wheat industry in that area to obtain alternative financing for this work?

Answer: ARS plans to redirect the research of one scientist and $100,000 from the Western Wheat Quality Laboratory, Pullman, Washington to the Western Regional Research Center, Albany, California. The research of this scientist at Pullman has been concerned with cereal nutrition and product development which is beyond the primary mission of the Wheat Quality Laboratory. To offset this reduction, the Pullman Laboratory will be the recipient of an increase of $160,000 for increased biological control of wheat root diseases. These funds and new wheat quality analysis equipment will improve the overall operative efficiency of the Laboratory. Redirection plans have been fully discussed with members of the wheat industry from the Pacific Northwest States.

USER CONTACT ON REDIRECTIONS

Question: When redirections of research work are being contemplated, do you follow any set process of consulting with potentially affected users of this research in order to determine if alternative financing of the work could be found?

Answer: No, we do not have a set procedure for consulting with potentially affected users of this research in order to determine if alternative financing of the work could be found. However, ARS keeps contact on a continuing basis with the commodity, industrial, and other user groups. Effect on users is given strong consideration during the time that redirection alternatives are being considered.

REIMBURSEMENTS FROM DEPARTMENT OF ENERGY

Question: The notes indicate that ARS anticipates a transfer of $2.5 million from the Department of Energy in FY 1984, the same level provided in FY 1983. How are these funds being utilized in FY 1983 and how do you anticipate using them in FY 1984?

Answer: FY 1983 funds received from the Department of Energy under reimbursable agreements provide for the conduct of energy-related research where it has been determined that ARS can most efficiently provide the expertise and facilities needed. Programs ongoing during FY 1983 include research initiated in prior years on: agricultural uses of solar energy; use of wind energy for farms and remote locations; use of biomass as an energy source; and characteristics of irradiated bacon.

ARS does not anticipate further reimbursable agreements for research on solar energy or wind energy in FY 1984. Estimated reimbursements from Department of Energy for FY 1984 will be for the continuation of research initiated in prior years. Current information suggests that reimbursements from DOE will not reach the levels previously estimated.

INCREASED TRAVEL EXPENSES

Question: The budget proposes over a $400,000 increase in travel expenses in FY 1984. For what purpose are these increased funds required? Are any proposed for relocation expenses of current employees?

Answer: Travel has been heavily impacted by the effects of inflation. Travel funds currently budgeted are based on program needs. Section 1403 of P.L. 95-113 establishes the Department of Agriculture as the lead agency in the Federal Government for food and agricultural sciences. In order to effectively carry out the Agricultural Research Service's role as the lead agency in the Federal Government for food and agricultural research, it is essential that ARS actively participate in planning and coordinating meetings held at various locations throughout the Nation. Travel is required for program scientific reviews; international exchange; attendance at scientific conferences; symposia and training activities among others. These activities are in addition to normal costs incurred for the conduct of research, such as travel to field plots, cooperative efforts with universities and colleges, etc. Any need for funds for relocation expenses of employees that will be transferred would be included.

JOBS BILL

Question: The budget requests $11.09 million for repair and maintenance of facilities. If the funds included in the Jobs Bill are provided ARS in FY 1983, how will this impact on the need for these funds in FY 1984?

Answer: These funds will be used on a one-time basis to supplement the funding of repair and maintenance needs of ARS. The repair and maintenance requirements of ARS facilities are extensive. There is an ongoing and critical need to maintain permanent financing of this program for the facilities that house our national research programs. The Administration is not proposing that the Jobs Bill funds for ARS repair and maintenance be offset in FY 1984.

HEADHOUSE AT COLUMBIA, MISSOURI

Question: The Senate report on the FY 1983 agriculture appropriations directed that ARS proceed with construction of a new headhouse in Columbia, Missouri. What is the current status of this project and the research to be conducted at this facility?

Answer: An architectural engineer design firm has been selected and negotiation is pending to come to agreeable cost level; which is estimated to be about $20,000. A Memorandum of Understanding with the University of Missouri is in the preliminary stages of negotiation for site selection and utilities provided. The research conducted will deal with weed control of row crops (corn and soybeans) and forage crops production management.

COMMUNICATIONS, UTILITIES AND OTHER RENT

Question: The budget reflects a 20 percent increase since FY 1982 in object class 23.2, communications, utilities and other rent. What has caused this substantial increase?

Answer: The Budget reflects a 17% increase over a two year period for communications, utilities and other rent. This is a direct result of inflation. Utility rates, communications and other rent continues to mount in relation to the price of goods and other services in the market area. These increases are requested to provide funds for these associated program needs so that research activities conducted at various locations can continue unimpeded.

CONSTRUCTION

Question: In total, how much has ARS budgeted for construction and maintenance of its facilities for FY 1984. How does this compare with FY 1983?

Answer: No funds are requested for construction in FY 1984. This is a decrease from the FY 1983 funding of $1,927,000. Those funds are now proposed for rescission. The Agency plans to finance facility repair and maintenance and energy retrofit needs in the amount of $11,092,000 in FY 1984, the same level appropriated in the FY 1983 Agriculture Appropriation Bill.

CONSTRUCTION OF HEADHOUSES/GREENHOUSES

Question: Are any headhouses connecting greenhouses proposed for construction in FY 1984? If so, at what locations will they be constructed and at what costs?

Answer: Presently, the Agency has no plans to construct headhouses connecting greenhouses in FY 1984. ARS will be concluding the construction activities on the Columbia, Missouri headhouse connecting greenhouse authorized and initiated in FY 1983.

LANDS AND STRUCTURES

Question: Your object class description of your program for FY 1984 indicates $9.9 million will be spent on lands and structures, but the program description indicates $11.09 million will be spent on repair and maintenance of facilities. What accounts for the difference in these figures?

Answer: Obligations for repair and maintenance, energy retrofit, greenhouses connecting headhouses and other construction funded from program dollars can be accounted for under other objects of classification as well as that for Lands and Structures. For example, repair and maintenance and retrofitting activities will necessitate purchasing supplies and equipment as well as service contracting. These costs would be incurred under other objects of classification.

REPAIR AND MAINTENANCE

Question: Is there a long term plan for repair and maintenance of facilities? If so, please provide a short summary of what will be needed over the next five years a per year basis?

Answer: ARS has a continuing long term repair and maintenance (R&M) plan. It is presently funded at $8.504 million in FY 1983 and proposed for the same amount in FY 1984. ARS is presently assessing all ARS owned facilities for a new 6 year R&M Program. Currently, this assessment is being implemented by conducting deficiency surveys of all facilities at each location. This survey will identify the type, degree, and nature of the deficiency, the cost, and year to be accomplished. These deficiencies will be reviewed, evaluated, and developed into projects to correct the deficiencies over a 6 year period. The surveys will be updated annually and projects reviewed to insure the most important deficiencies are corrected each year as conditions and problems change. The deficiency surveys are almost complete and the next phase is to develop the projects for the 6 year plan. The estimated annual funding based on present resources is expected to be higher than the present level of funding. It is estimated that the new program would cost about $16 million annually if all identified needs were to be corrected in the 6 year period. ARS has not requested increased funding for repair and maintenance in FY 1984 because of other higher priorities. The 6 year plan is to be completed in the fourth quarter of FY 1983 and implementation shall commence in FY 1984.

POST DOCTORAL FELLOWSHIP PROGRAM

Question: What ARS facilities have been selected or tentatively selected for targeting as development of centers of excellence for purposes of the postdoctoral fellowship program?

Answer: No ARS facilities have been selected or targeted for development as centers of excellence for purposes of this proposed postdoctoral fellowship program.

Question: What criteria will be used in targeting labs as centers of excellence?

Answer: Department research laboratories will be selected on a competitive basis to host postdoctoral fellows. Selection as a host will be contingent upon the ability to substantiate that they are functioning effectively and possess a critical mass of outstanding scientists in a given area of research. Close affiliation with a university will be given favorable consideration.

PASSENGER MOTOR VEHICLES

Question: The notes indicate that ARS intends to purchase 118 replacement motor vehicles in FY 1984. What will the total cost of this purchase be, at what estimated cost per vehicle, and against what research accounts are these purchases charged to?

Answer: The total estimated cost to purchase 118 passenger vehicles is $722,850. This will include 48 station wagons at an estimated cost of $6,200 per vehicle and 70 sedans at an estimated cost of $6,075 per vehicle. Costs for passenger vehicles are charged to a general account controlled at the Regional Offices. The vehicles are utilized in multiple research programs.

IMPACT OF SEPARATE ACCOUNTS

Question: The suggestion has been made that the Congress appropriate separate amounts for the administrative and research programs of ARS. What would be the impact if the Congress were to follow this suggestion?

Answer: The impact must be measured in the additional time and money necessary to setup and track and report separate appropriations and accounts that deal with program; program support and administrative support--which vary in definition in agencies and businesses.

ARS has taken steps to reduce indirect costs. As I stated in my opening statement before your Committee, ARS has already initiated action to reduce indirect costs in 1983 and further reductions will be made in 1984. We believe that management flexibility is essential for an efficiently operated program and see no need for separation in accounts.

ORGANIC AGRICULTURE

Question: What is the current level of scientific effort within ARS specifically relating to organic agriculture?

Answer: There is no funding specifically directed toward organic agriculture. However, the results of much of our research are equally applicable to organic agriculture as to nonorganic agriculture. For example, our scientists at Lincoln, Nebraska; Pullman, Washington; and at other locations are conducting research on the role of crop residues on organic matter levels, nitrogen supply and availability, and on reduction of soil erosion. Also, we are investigating the effect of increased organic matter levels on microbial populations of the soil aeration, water holding capacity, and other physical properties of the soil. This and other research contributes to developing sound conservation tillage practices that will increase organic matter, reduce cost of production, and conserve natural resources. Also, most of our integrated pest management research, especially research on biological control of pests, will directly benefit organic farmers.

SOIL TILTH RESEARCH CENTER

Question: It has been suggested that the Congress provide funding for the construction of a soil tilth research center. What is the agency's position on this proposal?

Answer: We believe that construction of a soil tilth research center is not justified in light of other competing needs for Federal research funds and the criticism provided by the Government Accounting Office and the Office of Technology Assessment concerning underutilization of existing research facilities.

The Department of Agriculture recognizes that soil tilth plays an important role in agricultural productivity and resource conservation. We are currently funding approximately $2,000,000 in intramural (that is, Federally conducted) research related to improving, maintaining, or restoring the physical conditions of soils. The Land-Grant Universities are conducting additional research related to soil tilth supported by both Federal and State funds.

The future scope of the Department of Agriculture's soil and research program must include consideration of emerging national priorities and resource constraints. One of the Department's highest priorities in soil and water management is and will continue to be improvement in our understanding of the relationship of soil physical, chemical, and biological factors to soil erosion and the long-term productivity of U.S. agriculture. The Department is presently conducting research aimed at identifying and quantifying the soil, crop, and climatic processes affecting erosion and productivity and integrating these processes into prediction procedures for use by decisionmakers. One major product of this research is the EPIC model (Erosion Production Impact Calculator) that will soon be delivered to the Soil Conservation Service for their use in predicting the consequences of erosion on production as part of the RCA assessment process. This model and its successors now being developed will enable the Department to assess the appropriate balance of emphasis to be placed on soil tilth research via the other soil and water focused research, such as conservation tillage, concentrated flow erosion, or crop production systems for areas with limited water supply. In view of the high priority of the other research areas, the Department believes that use of Federal funds to construct a soil tilth laboratory at this time is not justified.

Question: How much research on soil tilth is currently ongoing within ARS?

Answer: The Agricultural Research Service has $2,063,400 directed towards research on soil tilth during fiscal year 1983.

ARS FACILITIES DEDICATED TO SOIL RESEARCH

Question: What is the percentage utilization of the ARS research facilities currently dedicated to soil research? Please be specific as to each facility.

Answer: Soil and Water Management Research Unit, Auburn, Alabama - investigation of soil-root zone relationships in the Southeast - 100%

National Tillage Machinery Laboratory, Auburn, Alabama - soil-tillage machine relationships - 100%

Soil Management Research Unit, Palmer, Alaska - conservation production research for cold soils - 100%

U.S. Water Conservation Laboratory, Phoenix, Arizona - water movement into, through, and out of soil - 100%

U.S. Salinity Laboratory, Riverside, California - national soil salinity management and research - 82%

Central Great Plains Research Station, Akron, Colorado - conservation-production research in the Central Great Plains - 67%

Southern Piedmont Conservation Research Center, Watkinsville, Georgia - soil management systems for the Southern Piedmont - 100%

Northwest Watershed Research Center, Boise, Idaho - Northwest watershed research - 70%

Snake River Conservation Research Center, Kimberly, Idaho - soil management research for irrigated crops - 100%

National Soil Erosion Laboratory, Lafayette, Indiana - national soil erosion research - 63%

Soil and Water Management Research Unit, Baton Rouge, Louisiana - soil management systems and soil pesticide relationships - 100%

New England Plant, Soil, and Water Laboratory, Orono, Maine - conservation-production systems for the New England area - 63%

Biological Waste Management and Organic Resources Laboratory, Beltsville, Maryland - optimum utilization of organic resources on soils - 100%

Pesticide Degradation Laboratory, Beltsville, Maryland - soil-pesticide relationships - 100%

Soil Nitrogen and Environmental Chemistry Laboratory, Beltsville, Maryland - soil management, conservation tillage, and environmental chemistry for the humid East - 100%

Plant Stress Laboratory, Beltsville, Maryland - plant adaptation to problem soils and uptake of soil nutrients - 100%

North Central Soil Conservation Research Center, Morris, Minnesota - soil conservation and crop production systems for the northern Corn Belt - 73%

Soil and Water Management Research Unit, St. Paul, Minnesota - conservation tillage systems and effects of erosion on soil productivity - 100%

Soil, Water, Air Sciences Research Unit, Mississippi State, Mississippi - conservation systems for the Blacklands and development of simulation models for production of major crops - 100%

USDA Sedimentation Laboratory, Oxford, Mississippi - national responsibility for basic and applied research on sedimentation - 83%

North Central Watershed Research Center, Columbia, Missouri - adaptation of conservation practices for the central Cornbelt - 100%

Northern Plains Soil and Water Research Center, Sidney, Montana - soil and water conservation practices and systems for the western part of the Northern Great Plains - 55%

U.S. Plant, Soil, and Nutrition Laboratory, Ithaca, New York - geochemical and biochemical processes affecting nutritional quality of food and feeds produced in the U.S. - 100%

Northern Great Plains Research Center, Mandan, North Dakota - conservation systems for the irrigated and rainfed croplands and drylands of the Northern Plains - 100%

Northern Appalachian Experimental Watershed, Coshocton, Ohio - adaptation of soil and water conservation practices for the Lakes States Region - 71%

U.S. Agricultural Water Quality Management Laboratory, Durant, Oklahoma and Southern Great Plains Watershed Research Center, Chickasha, Oklahoma - jointly responsible for soil and water conservation practices to protect quality of water coming from croplands and rangelands - 91%

Columbia Plateau Conservation Research Center, Pendleton, Oregon - dryland conservation systems for the Columbia River Plateau and related land resource areas - 100%

Coastal Plains Soil and Water Conservation Research Center, Florence, South Carolina - conservation-production systems for the Southeastern Coastal Plains - 52%

U.S. Big Springs Field Station, Big Springs, Texas - cropping systems and wind erosion research for the Southern Great Plains - 100%

Conservation and Production Research Laboratory, Bushland, Texas - conservation-production systems for the Southern High Plains - 79%

Grassland, Soil, and Water Research Laboratory, Temple, Texas - soil and water conservation research for the Blacklands, Prairies, Claypan, and Plateau areas of the Southern Great Plains - 96%

Subtropical Agricultural Research Laboratory, Weslaco, Texas - irrigated and non-irrigated soil management research in the Rio Grande Plains - 56%

Appalachian Soil and Water Conservation Research Laboratory, Beckley, West Virginia - soil and water conservation research for Appalachia - 60%

High Plains Grasslands Research Station, Cheyenne, Wyoming - rangeland soils management research - 100%

In addition, Agricultural Research Service occupies facilities furnished by colleges and universities in cooperation with these research endeavors. The locations involved are Tucson, Arizona; Fort Collins, Colorado; Ames, Iowa; Manhattan, Kansas; Lincoln, Nebraska; Columbus, Ohio; Rio Piedras, Puerto Rico; Prosser, Washington; and Pullman, Washington.

Question: Could additional work on soil tilth be effectively carried out at the existing facilities?

Answer: Yes, additional work could be carried out at existing facilities.

ENERGY RESEARCH CENTER - COLUMBIA, MISSOURI

Question: What level of funding has been provided the On-Farm Energy Research Center in Columbia, Missouri, in FY 1983 and what level will be provided in FY 1984?

Answer: In FY 1981, the University of Missouri received $500,000 from the Biomass Energy Technology Division, U.S. Department of Energy (DOE) to establish a 3-year research program on

"Integrated On-Farm Energy System." There will be no further funding from DOE.

In addition to the pass-through funding, ARS provided $100,000 in FY 1981 and FY 1982 for energy production and utilization from agricultural wastes and residues at Columbia, Missouri. This project is associated with the "Integrated On-Farm Energy System" of the University of Missouri. This satellite project, funded through the Tifton, Georgia Energy Center, received $125,000 of base funds in FY 1983 and is expected to receive the same level of funding in FY 1984.

NATIONAL PROGRAM STAFF REDUCTION

Question: According to a press release issued by the Department on December 7, 1982, the national planning and research direction team of the ARS was reduced by 40 percent. Yet the table provided the committee on the administrative costs of ARS showed no comparable reduction in the cost of the national program staff or any other portion of the support functions. Would you please clarify this apparent discrepancy?

Answer: The National Program Staff was reduced by 23 employees and this has been reflected in the administrative costs table The cost involved is $900,000 for FY 1983 and $900,000 for FY 1984. A further reduction of 5% in management costs was made in FY 1983 and FY 1984 in the amount of $236,000 and $244,000 respectively. These reductions are offset by the need for full year pay costs effective in FY 1982 and supplemental pay costs effective in FY 1983 for the remaining staff.

CENTRAL CHARGES

Question: The Federal Administration table also showed no concurrent decrease in the "central charges" of ARS even though all SLUC charges are now paid out of one account for the whole Department. The table instead reflected enormous increases in automated data processing services and property and procurement services between FY 1982 and FY 1983. Please explain these inconsistencies in this table.

Answer: There are no inconsistencies. What has occurred is that the reduction of GSA SLUC charges in FY 1983 has been offset by specific increases for certain items that are subject to ARS payment. In the area of automated data processing, the Department established a network system designed to improve communications among all USDA agencies, which cost ARS $190,000; and centralized the automated activities of the Office of Information Resources Management that cost ARS $400,000. In addition, the increased cost for central supplies, forms, and services to ARS under Property and Procurement Services was $725,000 over the amount reflected in FY 1982. As a result, the total cost of central charges has stayed relatively the same level over FY 1982.

BARLEY TESTING CENTERS

Question: The National Barley Improvement Committee has suggested the establishment of two centers to test the resistance of species of wheat, oats and barley to Barley Yellow Dwarf Virus

(BYDV). What is ARS' position on the need for these testing centers, and what is the estimated cost of undertaking this proposal?

Answer: Barley yellow dwarf virus has become an increasingly serious disease in major cereal crops in recent years. We feel it deserves more attention than we have had resources to devote to it in view of other pressing research needs. ARS scientists have been cooperating with State scientists on insect transmission of the virus, improving methods for detecting the virus in seeds, breeding for resistance, and on related aspects. While it is apparent that testing centers, each staffed with a plant pathologist, an entomologist, and a geneticist, would greatly expedite our effort to find virus-resistant cereal germplasm, ARS has not proposed establishing the centers because of current resource constraints in many high priority program areas. Operating costs for this effort would be about $450,000. Some 100,000 items of cereal germplasm are already on hand, but without adequate resources we have not been able to test them for resistance to barley yellow dwarf virus.

Questions Submitted by Senator Byrd

SOIL EROSION

Question: In testimony before this Subcommittee on Tuesday, March 15, 1983, Assistant Secretary for Natural Resources and Environment, John B. Crowell, Jr., testified that for the first time, the President's policy statement, which was submitted to the Congress pursuant to the Soil and Water Resources Conservation Act of 1977, establishes a set of national priorities for conservation. He further testified that excessive soil erosion poses the greatest threat to the future of agriculture. Given that testimony, it would follow, that research on soil erosion must also be of the highest priority.

Does your fiscal year 1984 reflect this direction?

Answer: The ARS received budget increases of $0.2 million in FY 1982 and $2.9 million in FY 1983 for research on the impacts of soil erosion on soil productivity. The implementation of the FY 1983 increase program will be continued on into FY 1984. There is no soil erosion increase item in the FY 1984 budget.

Question: How many laboratories do you currently have that are doing research on soil erosion problems?

Answer: The ARS laboratories with national soil erosion research missions are as follows: The National Soil Erosion Laboratory, Lafayette, Indiana; The USDA Sedimentation Laboratory, Oxford, Mississippi.

Laboratories conducting soil erosion research for various parts of the United States are as follows:

Northeast
Northeast Watershed Research Lab., University Park, PA
Appalachian Soil & Water Conservation Research Lab., Beckley, WV

Midwest
North Central Soil Conservation Research Lab., Morris, MN
Watershed Research Unit, Columbia, MO
North Appalachian Experimental Watershed, Coshocton, OH

Southwest
Southwest Rangeland Watershed Research Center, Tucson, AZ

Southeast
Southeast Watershed Research Lab., Tifton, GA
Southern Piedmont Conservation Research Center, Watkinsville, GA

Great Plains
Northern Plains Soil & Water Research Center, Sidney, MT
Water Quality & Watershed Research Lab., Durant, OK
Grassland, Soil & Water Research Lab., Temple, TX

Pacific Northwest
Northwest Watershed Research Center, Boise, ID
Columbia Plateau Conservation Research Center, Pendleton, OR

Question: Would you supply, for the record, the staffing and funding levels at these facilities and the full capability for each of these facilities?

Answer: The information you have requested is as follows:

	Professional Staffing (SY)		Base
Location	Current	Full Capability	Funding Level
National Soil Erosion Lab., W. Lafayette, IN	5	8	$ 937,500
USDA Sedimentation Lab., Oxford, MS	24	29	2,590,900
Columbia Plateau Conservation Research Center, Pendleton, OR	14	14	942,300
Northwest Watershed Research Center, Boise, ID	7	10	894,000
North Central Soil Conservation Research Lab., Morris, MN	11	15	1,283,500
Watershed Research Unit, Columbia, MO	11	11	906,400
North Appalachian Experimental Watershed, Coshocton, OH	5	7	820,300

Location	Professional Staffing (SY) Current	Full Capability	Base Funding Level
Southern Piedmont Conservation Research Center, Watkinsville, GA	3	3	1,559,000
Southeast Watershed Research Lab., Tifton, GA	3	3	616,100
Northeast Watershed Research Lab. University Park, PA	11	11	1,078,900
Appalachian Soil & Water Conservation Research Lab., Beckley, WV	11	20	1,810,500
Northern Plains Soil & Water Research Center, Sidney, MT	6	11	898,200
Grassland, Soil & Water Research Lab., Temple, TX	27	28	2,559,400
Lubbock / U.S. Big Spring Field Station, Big Spring, TX	4	5	391,300
Durant/ Southern Plains Watershed & Water Quality Lab., Chickasha, OK	20	22	1,831,600

The Agricultural Research Service also occupies facilities located at universities in Manhattan, Kansas, and Tucson, Arizona. Research is being conducted on soil erosion at both of these locations.

Question: Assistant Secretary Crowell further testified that additional priorities for Department of Agriculture assistance will be set at the state and local levels and that a strong base will be maintained to serve the conservation needs of all agricultural areas.

In my State of West Virginia, the Appalachian Soil and Water Conservation Laboratory at Beckley, is the only one of its type in the United States. This center conducts research on soil and water problems associated with hill-land agriculture and with the reclamation and utilization of surface-mined land. This is a fairly new facility and is not, as yet, operating at full capacity.

Is the understaffing of this facility and others due to problems of overall funding, or because of limitations on personnel imposed by the Office of Management and Budget?

Answer: In these times of budget austerity, overall funding and limitations on the hiring of personnel are a continuing problem for all agencies of government. The Appalachian Soil and Water Conservation Research Laboratory at Beckley, West Virginia, was dedicated in August of 1980. There are currently 10 Federal scientists and 1 state scientist located at Beckley, 4 of which have been added to the staff since October 1, 1981. The staff goal is 16 scientists. We are in the process of adding another scientist from the West Virginia University. ARS has chosen to staff the Beckley facility over a period of time as part of the process of developing an effective research program for Appalachia concurrent with the addition of new staff.

Question: If additional funding and staffing are provided, as well as directive language included in the committee report that additional positions be made available for agricultural research, would you then elect to allocate a portion of that staffing and funding to those soil conservation laboratories that have additional capability, such as the one at Beckley?

Answer: We would certainly consider Congressional directives and priorities in the allocation of resources to important national programs.

APPALACHIAN FRUIT RESEARCH STATION, KEARNEYSVILLE, WEST VIRGINIA

Question: The Fiscal Year 1982 Appropriations Bill for the Department of Agriculture included additional funding for the Appalachian Fruit Research Station at Kearneysville. The accompanying report included language to provide for the hiring of five additional scientists to enable the research center to complete its phase II staffing.

Did you provide these additional scientists and support staff at that facility, and if not, why not?

Answer: We now have four new scientists at the Appalachian Fruit Research Station - a soils scientist, a small fruit specialist, an entomologist, and an agricultural engineer. We are recruiting for an additional scientist to work on postharvest disease problems.

QUESTIONS SUBMITTED BY SENATOR CHILES

REDIRECTIONS IN FLORIDA

Question: Recently, your Department announced a major redirection of the agricultural research effort. In my home State of Florida, you are planning to close the Sugar Cane Research Station at Belle Glade, and the Citrus Research Station at Lake Alfred. Also, I understand you have ceased Federal participation in the SWAP program at Ft. Pierce. I am sure you can imagine the concern of the citrus and sugarcane industries over these actions.

How many personnel are being relocated from Florida?

Answer: There are four engineers being relocated from Florida and three support personnel who will also have the opportunity to relocate to the new location.

Question: Is any money being saved by these actions?

Answer: Money will be saved by consolidating research at fewer locations.

Question: Will the sugarcane harvesting research done at Belle Glade and the citrus mechanical harvesting research done at Lake Alfred be terminated?

Answer: The sugarcane and citrus harvesting research programs will be terminated.

Question: Were the citrus and sugarcane industries consulted before these decisions were made?

Answer: We did not consult with the citrus and sugarcane industries on these specific redirections but we have met with representatives of agricultural industries on national research priorities.

Question: Was Congress consulted or advised of these changes and redirections during the formulation process?

Answer: No, sir. The initial review, evaluations, and recommendations were conducted by staff scientists and managers within the Agency. Decisions concerning these recommendations were later discussed with representatives of agricultural industries and representatives of the members of Congress after Departmental approval was received.

Question: Why do you feel that the research taking place at these labs is unimportant?

Answer: Many of the research objectives for these three locations have already been achieved and there is a need to redirect these resources to other areas of higher national priority. We believe that individual States and industry can assume responsibility for any additional research that might be needed.

Question: There is also a critical need for knowledge and engineering input relative to spray technology. Changes in citrus production methods are making this information very important. I understand it is a high priority of the citrus industry. Couldn't the USDA personnel at the Lake Alfred station be used for this important research?

Answer: We have existing programs at Wooster, Ohio, and College Station, Texas, where we conduct basic research on spray technology. Research from these programs can be used by the States and industry to solve local production problems. We do not believe we need to duplicate this research in Florida specifically to serve the needs of the citrus industry. Those needs could be met by Florida and the citrus industry.

Question: Is there any research being done similar to that of the SWAP project?

Answer: Florida has an active research program at Ft. Pierce which will continue with the SWAP research objectives. ARS does not have any other SWAP projects but ARS basic research programs on drainage and soil management will continue to benefit the Ft. Pierce program. We intend to analyze and publish the data received from the SWAP project.

CITRUS CANKER

Question: As you know, there is a great deal of concern among Florida citrus growers regarding the citrus canker currently found in some parts of Mexico. Rightfully, Florida growers are concerned that this disease could spread to their groves.

Please tell me about the progress that is being made on citrus canker research.

Answer: We have diagnosed the disease in Mexico to be a new strain of citrus canker that apparently affects only the leaves and twigs of Mexican and Persian limes. We have research in quarantine facilities at Beltsville, Maryland, to see if this new strain would cause disease symptoms on other types of citrus. Even if it does not, we still would want to prevent it from getting into U. S. citrus production areas. Such a strain could mutate and become more pathogenic. We also are making antisera for use in Mexico for diagnostic studies and doing additional comparative studies on the disease organism.

Question: Has your research shown any new citrus varieties to be affected by the canker?

Answer: Our tests are not yet complete and we are uncertain if this new strain of citrus canker will affect varieties commonly grown in the United States.

Question: I understand we are finding more than one canker variety affecting citrus. How would these new strains do in Florida's warm, moist climate?

Answer: There are several strains of citrus canker and it is likely that all strains would survive in Florida. The Asiatic strain was accidentally introduced into Florida in 1910 but was eradicated. We would not want any strains of citrus canker introduced into Florida.

Question: Is USDA working with the Mexican Government on the canker problem?

Answer: Yes, after the July 1982 discovery of citrus canker in the State of Colima, APHIS personnel met with Mexican officials to discuss program requirements. Emergency regulations prohibiting the importation of all Mexican citrus were immediately published; APHIS has since published an interim rule permitting treated citrus from specified areas of Mexico into non-citrus producing areas of the United States. APHIS methods development specialists assisted Mexican personnel in establishing treatment procedures.

Question: How has the Department responded to Florida growers' request for a buffer zone around embargoed States?

Answer: At this point, we do not believe that the establishment of such a zone is necessary to protect citrus-producing areas from the pest. We believe that the existing regulations, monitoring efforts by USDA and the States, and the interest of fruit distributors in abiding by the regulations will prevent movement of Mexican citrus into restricted areas.

Question: I understand that a meeting will be held later this month in McAllen, Texas regarding repacking of Mexican fruit in parts of Texas and Louisiana. Doesn't the possibility of such repacking seriously weaken the current rule against shipment of Mexican products to American citrus producing states?

Answer: The purpose of the public hearings in McAllen is to allow all interested individuals to express their views on this proposal. We are exploring the use of compliance agreements in border areas and repacking of Mexican citrus under close supervision at distributor's premises under the terms of such agreements. Before allowing repacking in citrus producing States, the potential for citrus canker spread will be fully considered.

AGRICULTURAL COLLEGE RESIDENT INSTRUCTION PROGRAMS

Question: How important are the agricultural college resident instruction programs in helping fulfill USDA Science and Education objectives?

Answer: The Nation requires a continual infusion of new graduates with food and agricultural expertise into the labor force if it is to continue to provide its citizens with a bountiful food supply. U.S. colleges and schools of agriculture have successfully provided the major portion of such expertise since the early days of the Nation. Graduates from these programs become the research scientists, Cooperative Extension professionals, technical specialists, and college faculty of the future. Therefore colleges of agriculture are indispensable in the science and education system and to the USDA Science and Education objectives.

The continuing success of the U.S. food and agricultural system depends upon the ability of the agricultural higher education system to graduate men and women with scientific expertise in the food and agricultural sciences. The U.S. food production and delivery system utilizes nearly 23 percent of the U.S. labor force. Some 3.3 million are currently involved in farm production and an additional 20 million are employed in scientific, processing, manufacturing, transportation, sales, and technical service functions. The strategic importance of an efficient food production and delivery system warrants national policies and programs that will assure continual development of human capital to refine and operate the system.

Currently, there is growing evidence of deficits of college-educated agricultural scientists, technical representatives, educators, administrators, producers, managers, financial advisers, and other professionals in both the public and private sectors. A 1980 U.S. Department of Agriculture study projects the overall average annual demand for college graduates in the food and agricultural sciences to exceed the available supply by almost 15 percent. In some occupational categories, however, the shortages are far more severe. Demand for manufacturing and processing scientists and engineers exceeds supply by 18%, and demand for agricultural administrators, managers, and financial advisers exceeds the supply by 30%. This USDA study may understate the severity of the problem. An especially short supply of individuals with advanced preparation--master's and doctoral degrees--is expected to be available for required research, professional, and managerial positions in agriculture throughout the decade. Furthermore, more than 30 percent of U.S. graduates with advanced degrees in the food and agricultural sciences are foreign nationals on temporary visas. Unless reversed, these trends will severely impede future U.S. agricultural efficiencies.

Question: What are the major problems facing resident instruction programs as they try to produce the requisite agricultural expertise at both the undergraduate and graduate degree levels:

Answer: Current and emerging trends and conditions point to some very serious problems concerning production of the requisite numbers of college graduates to maintain a highly productive and efficient agriculture. Several issues with which the food and agricultural higher education system must "come to grips" are as follows:

Just a century ago, some 95 percent of this country's populace lived and worked on farms, while only 5 percent were urban dwellers. Today, exactly the reverse is true. This has reduced substantially the pool of farm-reared agricultural student prospects (most land-grant agricultural colleges now enroll more urban students than those from farms). Agriculture today also suffers from a poor image as a field of science and as a career.

The scientific and professional human expertise base which has largely underwritten the technological progress of American agriculture during the past 35 years is aging and disproportionately high numbers of agricultural faculty are scheduled to retire during the late 1980's.

Some 25 percent fewer individuals will enter the traditional college age range during this decade. Enrollments in colleges of agriculture and natural resources have already declined by more than 8 percent during the past three years. Additional enrollment decreases of 15-25 percent are projected to occur by the late 1980's. Furthermore, the keen competition among various employers who hire bachelor-level agricultural graduates has resulted in entry salaries so high that fewer and fewer students envision the advantages of pursuing graduate study in an agricultural specialty.

Human aptitudes requisite to the development of highly productive agricultural scientists and professionals are similar to those utilized in engineering, business, molecular biology, computer technology, and the health sciences. Agriculture employs and is dependent upon high technology. Consequently, it is imperative that agriculture compete aggressively with other disciplines to attract and to educate a larger cadre of highly motivated and intelligent students capable of achieving future scientific advancements which will insure adequate productivity growth to feed an expanding world population and enhance our Nation's security.

U.S. agriculture and natural resources colleges have experienced serious erosion of per student real dollar support for teaching programs during the past decade. This financial support reduction has extensively limited instructional quality through reduced laboratory experiences, oversized classes, elimination of needed specialized courses, and loss of key faculty members to other endeavors.

PRE-DOCTORAL/POST-DOCTORAL FELLOWSHIPS

Question: The Agricultural Research Service Fiscal Year 1984 request includes a line item for post-doctoral fellowships. Recommendations of leading scientific organizations and educational authorities suggest that pre-doctoral fellowships are more critically needed than post-doctoral support. Why were these recommendations not addressed in your request?

Answer: The postdoctoral fellowship program is intended to strengthen the Department's research capabilities by providing an infusion of new ideas to complement and challenge ARS researchers. This will ultimately stimulate the development of centers of excellence at those laboratories selected as hosts. We recognize that there are needs in addition to those we are attempting to address here, however budgetary constraints do not permit us to request additional support.

SHORTAGE OF AGRICULTURAL SCIENTISTS

Question: Several recent USDA studies forecast growing shortages of agricultural scientists and professionals in several key disciplines. Now that ARS has been delegated the authority by USDA to assume the lead agency role for higher education programs, what major thrusts have you initiated to stimulate adequate production of Ph.D. graduates in key scientific disciplines?

Answer: ARS is endeavoring through a variety of ways to stimulate the development of food and agricultural expertise and to strengthen the college and university programs which are producing the Nation's graduates in the food and agricultural sciences. In addition to maintaining an on-going manpower assessment program which develops supply/demand projections on a continuing updated basis, ARS-OHE has initiated several projects aimed at strengthening higher education in food and agriculture. These projects respond to priority needs identified by the education community. They include a national curriculum assessment, a faculty development initiative, and development of a national information system to facilitate improved higher education analysis and planning. Additionally, ARS-OHE is working jointly with cooperators to pursue changes in data bases maintained by other Federal agencies (e.g., Department of Education, Department of Labor, National Science Foundation) to better meet the information needs of the Department and the univeristy community.

ARS has also identified an opportunity for a Federal initiative to stimulate the development of scientific expertise while at the same time, enhancing Department research capabilities for the future. We, therefore, requested as part of our FY 1984 budget an increase of $500,000 for postdoctoral fellowships in the food and agricultural sciences. The funds requested will be used to support approximately twenty scientists accepted for postdoctoral training under the direction of ARS scientists working on mission-oriented basic research at a Federal laboratory.

QUESTIONS SUBMITTED BY SENATOR ROTH

CORN CYST NEMATODE

Question: What was the original request by the Director of Science and Education to the Secretary of Agriculture for support of research on the corn cyst nematode?

Answer: The Director of Science and Education did not request a budget increase for corn cyst nematode in FY 1984.

Question: What was the original request of the Secretary of Agriculture to OMB for support of research on the corn cyst nematode?

Answer: The Secretary of Agriculture did not request increase funds to support research on the corn cyst nematode.

Question: When this item was deleted in the formulation of the Executive Budget for FY84 was consideration given to the potential threat of the corn cyst nematode to the corn belt and other important corn growing areas? Please explain why the request was deleted?

Answer: This nematode is recognized by the Department as a potential threat to corn well beyond the East Coast. Beyond its initial discovery on the Eastern Shore of Maryland in 1981, the nematode has most recently been found in Harford County, Maryland. The situation has been monitored very closely by a four-way cooperative effort among APHIS, the State of Maryland, University of Maryland, and ARS using existing funds.

COOPERATIVE STATE RESEARCH SERVICE

Senator COCHRAN. Let's now move on to the budget of the Cooperative State Research Service. Dr. Thomas, has mentioned that the cooperative research activities are being kept at current levels, with the special grants as the area in which the deep cuts are being requested. For instance, this next year you are requesting the same level of funding in the McIntire-Stennis program; that is cooperative forestry research. What impact is that going to have on cooperative forestry research?

Dr. THOMAS. While we are proposing reductions in some programs, we have maintained level funding in the formula programs. We want to keep operations in the States stable. This is done through the formula funding. These are the solid programs in which experiment stations and forestry schools have tenured scientists and have the liberty to shift the research effort when a new researchable problem appears. For example, they are doing some research in your own State in forest management under this program. They drastically increased the productivity per acre of woodlands because of research that they, being on the scene of the action, could make the decision to direct attention to because of flexibility in use of formula funds. Therefore, I think, faced with our budget constriction, it was better to keep the funds in the formula area so the States could make decisions in developing their research programs.

1890 RESEARCH FACILITIES

Senator COCHRAN. I notice that the budget request for this next year is the same for the 1890 research facilities. These are institutions that normally are strapped for funds, and they do provide for very important research activities there. I know, for instance, I have had the pleasure of visiting Alcorn State University on two different occasions recently to take a look at the activities that are going on there. We appropriated $10 million last year to upgrade facilities at 1890 institutions. I would like to have for the record, if you can furnish this to us, how the $10 million requested for both 1983 and 1984 will be used.

Dr. THOMAS. We have that available, and we will make it available for the record.

Senator COCHRAN. That would be good to have in the record. We would appreciate your advising us of your intentions with respect to the use of those dollars.

[The information follows:]

PROJECTED USE OF FY 1983 FACILITIES FUNDS BY 1890 INSTITUTIONS AND TUSKEGEE INSTITUTE

ALABAMA:

Alabama A&M University -- purchase land; security fencing around research areas; construct a poultry research facility; purchase major research equipment.

Tuskegee Institute -- purchase land; renovate two research buildings with office and lab space.

ARKANSAS:

Univ. of Arkansas at Pine Bluff -- construct underground irrigation system; renovate horticulture greenhouse; begin construction of fish ponds.

DELAWARE:

Delaware State College -- architectural planning; renovate research space.

FLORIDA:

Florida A&M University -- renovate soils and ecology lab and office space; purchase research equipment and land.

GEORGIA:

Fort Valley State College -- purchase land; renovate greenhouses.

KENTUCKY:

Kentucky State University -- purchase land for aquaculture research; construct aquaculture ponds.

LOUISIANA:

Southern University -- plan a multipurpose research complex; renovate greenhouse complex.

MARYLAND:

Univ. of Maryland Eastern Shore -- renovate poultry research labs and small animal experimentation labs; construction of swine research facilities will begin.

MISSISSIPPI:

Alcorn State University -- construct a research annex to the main agriculture building; construct poultry research house.

MISSOURI:

Lincoln University -- planning and construction of a swine research building & farm equipment building; initiate plans for construction of a complex for research office and lab space.

NORTH CAROLINA:

N. C. A&T State University -- renovate lab and office space.

OKLAHOMA:

Langston University -- purchase research equipment; renovate current research building.

SOUTH CAROLINA:

S. C. State College -- renovate research laboratories.

TENNESSEE:

Tennessee State University -- construct greenhouse facilities; renovate some research laboratory space.

TEXAS:

Prairie View A&M University -- planning and designing of a research laboratory complex; construct security fencing; level research land.

VIRGINIA:

Virginia State University -- install irrigation system; upgrade field research plots; plan construction of a research center.

PROJECTED USE OF FY 1984 FACILITIES FUNDS BY 1890 INSTITUTIONS AND TUSKEGEE INSTITUTE

ALABAMA:
Alabama A&M University -- purchase of food processing equipment, growth chambers, and walk-in coolers; construct dairy processing facility, animal research barn, and farm equipment barn.
Tuskegee Institute -- renovate research labs; offices.

ARKANSAS:
Univ. of Arkansas at Pine Bluff -- continue construction of fish ponds; renovate poultry building.

DELAWARE:
Delaware State Coll.-- construct major research complex.

FLORIDA:
Florida A & M University -- renovate aquatic insect/environmental and small animal labs; complete construction of swine facility and slaughter facility.

GEORGIA:
Fort Valley State College -- construct a dairy goat complex; purchase research equipment; plan for renovation of nutrition labs, small animal labs, and office space.

KENTUCKY:
Kentucky State University -- complete aquaculture complex; construct greenhouses.

LOUISIANA:
Southern University -- construct multipurpose research facility to house animal science, plant science, and social research scientists.

MARYLAND:
Univ. of Maryland Eastern Shore -- renovate biochemistry & human nutrition labs; install irrigation system for field crop research, purchase an amino acid analyzer.

MISSISSIPPI:
Alcorn State University -- construct research annex building. This activity will be funded over a three-year period.

MISSOURI:
Lincoln University -- initiate construction of an agriculture building to house research, extension, and instruction programs.

NORTH CAROLINA:
N. C. A&T State University -- construction and equipment for applied economics and family life studies; renovate greenhouses.

OKLAHOMA:
Langston University -- renovate cold room for research; land improvement for research plots.

SOUTH CAROLINA:
S. C. State College -- begin construction on new agricultural research complex with office and laboratory space; renovate laboratory space.

TENNESSEE:
Tennessee State University -- development and drainage of farm land; purchase research equipment.

TEXAS:
Prairie View A&M Un.-- develop swine farrowing and nursery units.

VIRGINIA:
Virginia State University -- construction project for the agricultural research center.

ANIMAL HEALTH AND DISEASE RESEARCH

Senator **Cochran**. We notice again that you are not requesting funding this year for animal health and disease research formula funding. Formula funds to the States for this research have been important to our State-directed programs. Can you tell us why these were eliminated or why there was no request for funding of that activity?

Dr. **Thomas**. The principal reason was, within the constraints which we were operating, we placed emphasis in the places where we thought the States would have the most flexibility in developing their programs. It is true that some of the veterinary schools are suffering the most in this case, but many of them are working in conjunction with experiment stations. There are a good many Hatch projects that are supporting animal health research in the various States.

One of the criticisms that has been made of this program is that there weren't viable programs at the smaller State levels. I prefer a different word than viable. It is small enough so they couldn't have an in-depth program. They have made progress, and hopefully, with the other funds that are available to them either through State or Hatch Act, they will still be able to continue the highest priority research.

Also, $7.2 million is available in the special research grants program for animal health research. We make use of the Animal Health Science Research Advisory Board recommendations to focus these grants on the highest priority animal health problems as identified by the Board.

COMPETITIVE RESEARCH GRANTS

Senator **Cochran**. I notice also you have an increase of $4.5 million for competitive research grants. What area of research will that involve? Is this going to be targeted to traditional agricultural research facilities, or where are you going to spend that money?

Dr. **Thomas**. Dr. Clarence Grogan, Acting Chief, Competitive Research Grants Program, Office of Grants and Program Systems, is here, and I would like to call on him to respond.

Dr. **Grogan**. Senator, that will support initiation of a new program in animal reproductive physiology. This is a new addition to the competitive research grants program.

Senator **Cochran**. What facilities will actually end up receiving those grants?

Dr. **Grogan**. They will be open, just as the other competitive research grants programs have been, on a competitive basis. The competition will be open to not only the land-grant institutions, but also to ARS and the scientific community in general.

Senator **Cochran**. Is that a fancy way of saying that the traditional facilities that conduct those research activities in the past will get less of the research dollars?

Dr. **Grogan**. No; it is not. What it actually means is that with the competitive research grants programs we can make funds available throughout a broad element of the scientific community. Therefore, research scientists throughout the entire scientific community, including the traditional agricultural research institutions, will be eligible for the funds. It will be on a competitive basis and not restricted to, say, strictly formula programing.

Dr. THOMAS. I would like to comment about that aspect, too, sir. Grant award experience in 1982 indicates that about 60 percent went to the land-grant universities. Probably in this animal science area a much higher percent will go to the experiment stations and the veterinary schools than has been experienced in the other areas we have had in this grant program, because fewer other institutions have the facilities and the resources behind them that they can make proposals.

SUBMITTED QUESTIONS

Senator COCHRAN. Thank you very much, Dr. Thomas. We also have some additional questions which we will submit to you and have you respond for the record.

[The following questions were not asked at the hearing but were submitted to the Cooperative State Research Service for response for the record:]

QUESTIONS SUBMITTED BY SENATOR COCHRAN

FEDERAL ADMINISTRATION

Question: Your Fiscal Year 1984 total budget request is $13,234,000 less than Fiscal Year 1983. As I understand it, you are also proposing to realign your research efforts. Will you please explain how these reductions and realignments will impact on your personnel?

Answer: The impact of reductions and realignments will impact both the CSRS staff and cooperators in the States. The decrease in the Special Research Grants program constitutes the major portion of the funding reduction. This program concentrates on problems of national interest beyond the normal emphasis on the formula programs. Funding under this program has already directed attention to these areas and the research grants funded in fiscal year 1983 and prior years will be used over a period of up to five years for completion of studies.

The reduction proposed in this program reflects the need to maintain funding for the formula funded programs, while reducing earmarked programs since attention has been focused on these selected areas of research. In the constrained funding situation we want to keep operations in the States stable. This is done through the formula funding - Hatch Act, McIntire-Stennis Cooperative Forestry, and 1890 Colleges and Tuskegee. Proposed funding maintains the base in these programs.

In the cooperating institutions in the States, scientists and researchers most directly affected by the decrease in funding for Special Research Grants will be those deriving part or all of their funding from these grants. The impact will vary from State to State based on the decisions of the station directors of the relative priority of this research and the importance of continuing the research within available funding.

The realighment of CSRS will reduce available responsible scientists to review and evaluate the Special Research Grants program. Through greater use of automated data processing and elimination of some activities of CSRS staff, we feel that CSRS will continue to provide effective and timely administration of this grant program.

Question. About this time last year, a panel of State research administrators reviewed the CSRS function. Have you now had a chance to study that report?

Answer: Yes sir, we carefully studied this report and utilized their recommendations in setting up a new CSRS organizational structure.

Question: What personnel changes or adjustments were made as a result of that study?

Answer: CSRS interacted with the committee, which was chaired by Dr. Dennis Rouse, former Director of the Auburn Agricultural Experiment Station, and committee representatives from each of the four Regional Associations of State Agricultural Experiment Station Directors, the Colleges of 1890 and Tuskegee Institute, the Schools of Forestry, the Schools of Veterinary Medicine and a representative from the Association of American Universities.

This committee identified five functions that should be given strong consideration in the structuring of CSRS within the personnel ceiling constraints set forth in the Executive Budget. These were:

-- Effective research planning, coordination and prioritization.
-- Review and evaluation of research.
-- Efficient and effective administration of programs.
-- Representation of the State research programs at the National level.
-- Budget development and justification.

Utilizing the recommendations of this committee, we realigned the organizational structure and identified the necessary positions to be retained within the new staffing ceiling to carry out the primary functions of the Agency. Also, the Division of Agriculture of the National Association of State Universities and Land-Grant Colleges, with the concurrence of the Deputy Secretary of Agriculture, appointed a blue ribbon committee chaired by Dr. Leo Walsh, Director, Wisconsin Agricultural Experiment Station. This committee reviewed the staffing plans of CSRS and made recommendations to the Department on the adequacy of CSRS staffing plans and which would continue to provide effective planning and coordination of the research conducted by the States and the USDA research agencies.

This committee recommended that the CSRS personnel ceiling be increased from the proposed 95 full-time equivalents to 108 to assure that CSRS had adequate scientific positions with the necessary expertise in the major scientific disciplines to carry out all its major functions. The Department subsequently adjusted the FY 1983 ceiling to the 108 level and this level is maintained in the FY 1984 Budget request. Also, as a part of the realignment of the Agency, CSRS budget functions performed by the Science and Education Management Staff will be transferred to CSRS.

We believe that, when the reduction-in-force is completed on April 15, 1983, this Agency will continue to effectively provide a strong national leadership role in research planning and coordination among the States and between the States and Federal research agencies. However, many of the services that CSRS has provided to the States in relation to the formula funded programs will now have to be performed by the States or contracted out. We will continue to work with the States in selecting the services that will be reduced or eliminated in order to provide an orderly transition in the phasing out of certain oversight activities.

Question: The President's budget recommends a $10 million increase in ARS which will cover part of last year's pay increase. A supplemental pay increase is currently under Senate consideration. What provisions have been made for salary increases for our State partnership programs paid from Federal formula funds?

Answer: The fiscal year 1984 budget provides level funding for the Hatch, McIntire-Stennis Cooperative Forestry, and 1890 Colleges and Tuskegee Institute formula funded programs. No funding is provided for salary increases for these programs.

MCINTIRE-STENNIS

Question: For fiscal year 1984, you are requesting the same level of funding ($12,452,000) as fiscal year 1983. What impact will this have on cooperative forestry research?

Answer: This will result in slightly less research being done in the State Agricultural Experiment Stations and Forestry Schools than will be done in fiscal year 1983 due to the inflationary increases in the cost of doing research. Leaders in these partner institutions are seeking to compensate for this loss of real dollars by more aggressively pursuing funds from other sources and seeking to allocate those funds that are available in the most efficient manner. Planning activities that prioritize research needs will help in this allocation insofar as institutions are not constrained by their teaching function.

EXPERIMENT STATIONS' FACILITIES

Question: The Congressionally mandated facilities study of 1979 indicated that the greatest need for updated and expanded research facilities is in the State Agricultural Experiment Stations. The 1981 Farm Bill continues an earlier authorization for funding for facilities. Why hasn't the Administration acted on this issue?

Answer: In keeping the fiscal year 1984 budget on a path consistent with sustained economic recovery, many diverse and competing needs were considered. The essential Hatch Act payments to the State agricultural experiment stations were maintained to assist in providing a stable base for this program. While we recognize the importance of adequate research facilities at these institutions, no funding is requested within the budget restraints which we all must share.

1890 RESEARCH FACILITIES

Question: The 1981 Farm Bill authorized a total of $50,000,000 for this purpose. Does it appear at this time that $50,000,000 will be sufficient? Will the total amount be requested over time?

Answer: The total amount authorized for upgrading the facilities at the seventeen 1890 institutions seems to be sufficient at this time. The institutions involved have developed an explicit program to upgrade their facilities that prioritizes needs relative to land, facilities, and equipment with the original authorization as a maximum constraint. The Department expects to request all the funds authorized over a five-year time span. However, this would require extension of the authorization since the Farm Bill only authorizes $10 million annually for fiscal years 1982 through 1986 and no funds were provided in FY 1982.

Question: Please provide for the record a table showing the distribution of these funds for Fiscal Year 1983 and projected for 1984.

Answer: The following table provides this information.

Distribution of Research Facilities to the 1890 Institutions and Tuskegee Institute (In Dollars)

	Fiscal Year 1983 Estimate	Fiscal Year 1984 Estimate
ALABAMA		
Alabama A&M University	$800,000	$800,000
Tuskegee Institute	1,400,000	1,400,000
ARKANSAS		
University of Arkansas at Pine Bluff	443,820	443,820
DELAWARE		
Delaware State College	350,280	350,280
FLORIDA		
Florida A&M University	238,280	238,280
GEORGIA		
Fort Valley State College	700,000	700,000
KENTUCKY		
Kentucky State University	286,360	286,360
LOUISIANA		
Southern University	433,920	433,920
MARYLAND		
University of Maryland-Eastern Shore	232,520	232,520
MISSISSIPPI		
Alcorn State University	377,220	377,220
MISSOURI		
Lincoln University	545,760	545,760
NORTH CAROLINA		
North Carolina A&T State University	800,000	800,000
OKLAHOMA		
Langston University	305,960	305,960
SOUTH CAROLINA		
South Carolina State College	249,020	249,020
TENNESSEE		
Tennessee State University	519,460	519,460
TEXAS		
Prairie View A&M College	1,400,000	1,400,000
VIRGINIA		
Virginia State College	517,400	517,400
Subtotal	9,600,000	9,600,000
Federal administration (4%)	400,000	400,000
TOTAL	10,000,000	10,000,000

HATCH FORMULA FUNDS

Question: In the 1981 Farm Bill, the Congress recommended that Hatch Formula funds to the State agricultural experiment stations should, as of October 1, 1983, be 25% of the USDA's total research funds for agriculture. What progress has been made to implement this adjustment?

Answer: The Administration supports this as a long-term goal but cannot recommend that Congress appropriate the full 25% in 1984. In a time of such severe budget constraints, this large infusion of funds into the Hatch Formula could only be achieved by making large reductions in other research programs. We feel sure it was not the intent of the Congress to fund the Hatch program at the expense of other equally meritorious programs. The Administration believes that the limited available resources must be prudently allocated to maintain the needed inhouse and extramural research programs.

The FY 1984 Budget would fund the Hatch Formula at 22.2% of the total for ARS and most CSRS research. In the FY 1983 Appropriation Act, a number of competing programs were funded well above the budget request, instead of significantly increasing the Hatch Formula funding. Without changing the overall research funding level, $20.5 million would have to be moved from other worthwhile programs to enable the Hatch Formula to reach the 25% level, if the Evans-Allen Formula is also kept at the statutory percentage of 15% of the Hatch Formula; $28.4 million would be needed if other programs were held constant and funds were added until the Hatch Formula reached 25%. It would be difficult to achieve the transition to the 25% level in FY 1984 without severely disrupting other programs.

Question: For fiscal year 1984 you have requested the same level of funding as fiscal year 1983. Does this mean that the States will actually have less funds in 1984? Please explain.

Answer: The Hatch Act, on a national basis, provides about 14 percent of the resources to a State agricultural experiment station. This can vary from 5 percent for one of the large States in the West to 50 percent for a State in the Northeast. The State resources will also vary depending upon whether some of the major industries are concentrated in a State during periods of depressed economical situations. A constant Hatch budget would reduce that portion of the State agricultural experiment stations program in direct relationship to the rate of inflation.

Question: Did the USDA request funds for increased costs under the Hatch Act, McIntire-Stennis Act, Section 1433 (Animal Health) and Evans-Allen authorities?

Answer: As a part of detailed reviews made of all CSRS programs during the development of the fiscal year 1984 budget recommendations, many proposals were evaluated. Requests for funds for increased costs for the formula funded programs were given consideration.

COMPETITIVE RESEARCH GRANTS

Question: Will you please explain the increase of $4.5 million for Competitive Research Grants?

Answer: An increase of $4.5 million over FY 1983 is requested to establish a new program in basic animal science research with concentration on overcoming reproductive problems. The inclusion of animal science will broaden the range of research covered by the Competitive Research Grants program and will increase the impact of the overall program.

Question: Why was this new program area initiated?

Answer: The importance of animals to this Nation's agriculture and to consumer well-being provides compelling justification for research addressing the critical issues and opportunities facing the animal industries. Animals not only provide a significant contribution to the agricultural income of the United States but more than half of the protein, one-third of the energy, most of the calcium and phosphorus, and many of the needed vitamins in the American diet.

This increase will provide expansion of basic research in animal science to assure an expanded fundamental knowledge base for efficient and adequate production of animal products and assure that adequate supplies of these food products continue to be available. Specifically, research will be supported on basic physiological mechanisms involved in animal reproduction efficiency. These areas include problems in the understanding of the mechanisms and chemistry of gametogenesis and gamete physiology, the genetic basis for reproductive efficiency, problems concerned with fertilization, and an understanding of the hormonal mechanisms involved in these processes.

Question: Does this new initiative have the support of the State Institutions?

Answer: Yes. The States, through the Experiment Station Committee On Organization and Policy, also have previously supported an animal science program in Competitive Research Grants in fiscal years 1979, 1980, and 1983.

Question: How many research proposals were received in Fiscal Year 1982? How many were selected for funding, for what amount, and for what type of research?

Answer: The program in 1982 included plant science and human nutrition research. Proposals received and grants awarded are as follows:

Competitive Research Grants
Fiscal Year 1982

	Proposals Received	Dollars Requested	Grants Awarded	Dollars Awarded
Plant Science				
Biological Stress	238	$32,131,217	58	$3,395,000
Genetic Mechanisms	154	27,445,045	52	3,821,800
Nitrogen Fixation	118	22,265,233	36	2,910,000
Photosynthesis	130	20,794,417	38	2,910,000
	640	102,635,912	184	13,036,800
Human Nutrition				
Nut. Requirements	140	27,429,454	28	2,793,600
TOTAL	780	130,065,366	212	15,830,400

	Proposals Received	Dollars Requested	Grants Awarded	Dollars Awarded
Land-Grant Univ.	506	$77,391,248	129	$9,469,500
SAES	(409)	(61,165,110)	(100)	(7,342,100)
Non-SAES	(97)	(16,226,138)	(29)	(2,127,400)
Land-Grant 1890	6	516,181	--	--
Private Universities	70	16,328,289	20	1,686,800
Public Universities	112	21,335,961	30	2,235,000
Federal Laboratories	9	1,831,196	2	147,200
USDA/ARS	41	5,499,856	13	875,000
Private Non-Profit	28	5,607,625	18	1,416,900
Private Profit	4	750,531	--	--
State & Local Agencies	2	416,798	--	--
Other Pub. Foundations	--	--	--	--
Veterinary Colleges	2	387,681	--	
TOTAL	780	130,065,366	212	15,830,400

Question: What percentage of the grants awarded went to the traditional agricultural research community and what percentage to the rest of the scientific community?

Answer: The total grants awarded to the traditional land-grant universities represent 60 percent, with 40 percent to the rest of the scientific community. Awards to the State agricultural experiment stations represent 46 percent.

ANIMAL HEALTH AND DISEASE RESEARCH

Question: Once again you are requesting no funding for Animal Health and Disease research formula funding. Formula funds to the States for Animal Health and Disease Research have been important to our State-directed programs. Why were they eliminated?

Answer: The need for budgetary constraints has required that we examine our programs very closely in relation to overall priorities. The level of appropriated Federal funds for this program has not been adequate to support an indepth program across the eligible institutions. Animal health and disease research can continue to be conducted by Federal and State research institutions under other authorizations and the Department is proposing no funding for this program.

Question: What impact will these losses have on our State programs which are the largest contributors nationally to this important research area?

Answer: More than 400 research projects currently are being conducted under fiscal year 1983 Section 1433 funds. A very large proportion of this research will, of necessity, terminate with the expiration of Section 1433 funding. Deans of some Colleges have indicated that alternate sources for funding this research are not available. Continued support for animal health research is provided in the budget for expanded or intensified studies of the highest priority under our Special Research Grants program. Additional strong support for animal health research will continue under Hatch and the Evans-Allen Colleges of 1890 formula funded research programs. This should permit these institutions to continue substantial efforts on the most pressing animal health problems.

Question: For fiscal year 1983, please provide a table showing the institutions that received section 1433 funding and the amount received by each.

Answer: The following table provides this information.

Animal Health and Disease Research
Section 1433, P. L. 95-113
(In Dollars)

State/Recipient	Fiscal Year 1983
ALABAMA	
Agricultural Experiment Station, Auburn University	$88,463
School of Veterinary Medicine, Auburn University	21,006
School of Veterinary Medicine, Tuskegee Institute	21,103
ALASKA	
Agricultural Experiment Station, University of Alaska ...	15,053
ARIZONA	
Agricultural Experiment Station, University of Arizona ..	59,239
ARKANSAS	
Agricultural Experiment Station, University of Arkansas .	81,621
CALIFORNIA	
Agricultural Experiment Station, University of California, Berkeley	212,367
School of Veterinary Medicine, University of California, Davis	199,317
COLORADO	
Agricultural Experiment Station and College of Veterinary Medicine, Colorado State University	260,477
CONNECTICUT	
Agricultural Experiment Station, Univ. of Connecticut, Storrs	22,256
DELAWARE	
Agricultural Experiment Station, University of Delaware .	16,776
FLORIDA	
Agricultural Experiment Station, University of Florida ..	81,509
College of Veterinary Medicine, University of Florida ...	23,915
GEORGIA	
Agricultural Experiment Station, University of Georgia ..	37,903
College of Veterinary Medicine, University of Georgia ...	130,479
HAWAII	
Agricultural Experiment Station, University of Hawaii ...	8,458
IDAHO	
Agricultural Experiment Station and College of Veterinary Medicine, University of Idaho	82,667
ILLINOIS	
Agricultural Experiment Station and College of Veterinary Medicine, University of Illinois	164,312
INDIANA	
Agricultural Experiment Station and School of Veterinary Medicine, Purdue University	123,647
IOWA	
Agriculture & Home Economics Experiment Station, Iowa State University	64,009
College of Veterinary Medicine, Iowa State University ...	261,622
KANSAS	
Agricultural Experiment Station and College of Veterinary Medicine, Kansas State University	186,541
KENTUCKY	
Agricultural Experiment Station, University of Kentucky .	98,340
LOUISIANA	
Agricultural Experiment Station, Louisiana State Univ. ..	89,607
School of Veterinary Medicine, Louisiana State University	25,013

State/Recipient	Fiscal Year 1983
MAINE	
Agricultural Experiment Station, University of Maine	$22,675
MARYLAND	
Agricultural Experiment Station, University of Maryland .	57,058
MASSACHUSETTS	
Agricultural Experiment Station, University of Massachusetts	15,670
School of Veterinary Medicine, Tufts University	36,849
MICHIGAN	
Agricultural Experiment Station and College of Veterinary Medicine, Michigan State University	110,149
MINNESOTA	
Agricultural Experiment Station, University of Minnesota.	70,268
College of Veterinary Medicine, University of Minnesota .	132,156
MISSISSIPPI	
Agricultural and Forestry Experiment Station and College of Veterinary Medicine, Mississippi State University ..	69,523
MISSOURI	
Agricultural Experiment Station, University of Missouri .	42,073
College of Veterinary Medicine, University of Missouri ..	121,225
MONTANA	
Agricultural Experiment Station, Montana State University	83,889
NEBRASKA	
Agricultural Experiment Station, University of Nebraska .	190,134
NEVADA	
Agricultural Experiment Station, University of Nevada ...	21,672
NEW HAMPSHIRE	
Agricultural Experiment Station, Univ. of New Hampshire .	12,482
NEW JERSEY	
Agricultural Experiment Station, Rutgers University	28,707
NEW MEXICO	
Agricultural Experiment Station, New Mexico State Univ. .	39,689
NEW YORK	
Agricultural Experiment Station, Cornell University	51,701
College of Veterinary Medicine, Cornell University	199,730
NORTH CAROLINA	
Agricultural Experiment Station and School of Veterinary Medicine, North Carolina State University	97,640
NORTH DAKOTA	
Agricultural Experiment Station, North Dakota State Univ.	56,734
OHIO	
Ohio Agricultural Research & Dev. Center, Ohio State Univ.	61,952
College of Veterinary Medicine, Ohio State University ...	70,324
OKLAHOMA	
Agricultural Experiment Station and College of Veterinary Medicine, Oklahoma State University	129,962
OREGON	
Agricultural Experiment Station, Oregon State University.	68,444
School of Veterinary Medicine, Oregon State University ..	40,850
PENNSYLVANIA	
Agricultural Experiment Station, Pennsylvania State Univ.	52,832
School of Veterinary Medicine, University of Pennsylvania	117,555
PUERTO RICO	
Agricultural Experiment Station, Univ. of Puerto Rico ...	16,418

State/Recipient	Fiscal Year 1983
RHODE ISLAND	
Agricultural Experiment Station, University of Rhode Island	$13,549
SOUTH CAROLINA	
Agricultural Experiment Station, Clemson University	23,012
SOUTH DAKOTA	
Agricultural Experiment Station, South Dakota State Univ.	105,878
TENNESSEE	
Agricultural Experiment Station and College of Veterinary Medicine, University of Tennessee	76,904
TEXAS	
Agricultural Experiment Station and College of Veterinary Medicine, Texas A&M University	319,658
UTAH	
Agricultural Experiment Station, Utah State University	61,301
VERMONT	
Agricultural Experiment Station, University of Vermont	18,253
VIRGINIA	
Agricultural Experiment Station and College of Veterinary Medicine, Virginia Polytechnic Institute & State Univ.	90,487
WASHINGTON	
Agricultural Experiment Station, Washington State Univ.	27,741
College of Veterinary Medicine, Washington State Univ.	115,258
WEST VIRGINIA	
Agricultural & Forestry Experiment Station, West Virginia University	17,463
WISCONSIN	
Agricultural Experiment Station and School of Veterinary Medicine, University of Wisconsin	212,814
WYOMING	
Agricultural Experiment Station, University of Wyoming	42,162
Small Business set-aside	11,059
	5,529,600
Federal Administration (4%)	230,400
TOTAL	5,760,000

AGRICULTURAL RESEARCH IN NORTHERN MARIANA ISLANDS

Question: You are requesting an increase of $70,000 to initiate a program of agricultural research in the Northern Mariana Islands. What will these funds be used for?

Answer: The $70,000 will be made available to the Northern Mariana Islands for agricultural research to support the production of vegetables, fruits and melons. Work on soil fertility, variety testing, and plant protection will receive initial emphasis.

Question: Will CSRS personnel be required there?

Answer: The research will be carried out by the Northern Mariana Islands' Department of Natural Resources. CSRS personnel will not be assigned there, except for periodic site visits to assist the Commonwealth in establishing and reviewing its research program.

SPECIAL RESEARCH GRANTS

Question: You have requested a decrease of over $11 million for Special Research Grants and an additional decrease of $1,242,000 for alcohol fuels and Native Latex Act research. These changes will terminate special research grant funding in several specific areas. You indicate in your statement, Dr. Thomas, that this will provide maximum flexibility in the States. Since no increase is requested in the Hatch formula funds, obviously the States will not receive a higher allotment. Does this mean that no research will be done in these areas?

Answer: Research will continue for a period of up to five years in these areas under the grants made for fiscal year 1983 and prior years. Upon exhaustion of these funds, it is anticipated that the research which is of highest priority in particular States will be supported by Federal formula, State, industry, and other funding sources.

Question: If some research is continued in these areas, who will do it?

Answer: States have widely varying degrees of importance that they attach to the research done in these areas. Some research will continue in the State Agricultural Experiment Stations where such work is most urgently needed and of special interest to local constituents.

Question: You also said in your statement that the Special Research Grants program will concentrate on problems of national interest. We all know that most areas covered by special grants are unique to certain geographic areas. For example, potato, bean flour, peach tree short life, sunflower midge. Do you not think that continued research in these areas is important?

Answer: Yes, the areas you have cited are of primary importance to relatively small geographic areas and a limited constituency. The amount of research directed at the solution of each of these problems, relative to other State problems, is better appreciated and assessed at the local level. Local Directors of State Agricultural Experiment Stations are also in a better position to assess the applicability of the scientific skills of their staff to the solution of each particular phase of the problem and can respond promptly by directing their Federal formula funds and State funds to the solution of the most pressing problems. Research in these problem areas is important, and is most effectively addressed on a local level.

Question: What effect and impact will these changes have on the researchers and scientists in the various locations? Will they have to be retrained? Will they relocate, retire, etc.?

Answer: The individuals most directly affected by the decrease in funding for Special Research Grants will be those deriving part or all of their funding from such grants. The situation of any one researcher or scientist is difficult, if not impossible, to predict. In keeping with the philosophy of the land-grant system, many of the individuals are involved in teaching, research, and/or extension. Situations vary greatly from one State to the other, but in general the average scientist doing research under the formula-funded programs devotes between one-third and one-half of his time to research. This along with the perception of the local administrator of the importance of continuing the particular line of research after the funding appropriated for fiscal year 1983 runs out will greatly influence optimum individual response. Retraining and relocation are constant and perplexing problems for the Directors of the State Agricultural Experiment Stations. However, this burden is no greater for the scientist working on problems funded by the Special Research Grants than it is for those working on problems funded under the formula programs or for research supported by State funds.

Question: What type of support do you have from the research community for these proposed changes?

Answer: As you might anticipate, the support for these proposed changes varies greatly from State to State. Where such Special Research Grants have been made available, there may be little support for such changes. On the other hand, the larger number of States, those that receive no such grants, acquiesce in our decision to make such a request. On balance, it is probably fair to say that the State research administrators would like to see the funding in the Federal formula programs and make decisions through the regional-national planning system and locally as to its application to particular research problems.

Question: Please provide for the record a listing of the special research grants that will be decreased or eliminated showing how much was spent in Fiscal Year 1982, 1983 and proposed for 1984.

Answer: The following table provides this information.

COOPERATIVE STATE RESEARCH SERVICE
SPECIAL RESEARCH GRANTS

	FY 1982 Appropriation Act	FY 1983 Appropriation Act	FY 1984 Budget Estimate
Soil erosion in Pacific Northwest.	$622,000	$622,000	- -
Dried bean research in North Dakota ..	24,000	25,000	- -
Food and agriculture policies	156,000	156,000	- -
Soybean research ..	518,000	518,000	- -
Integ. pest management (consortium).	3,091,000	3,091,000	- -
Biological control of pests	480,000	480,000	- -
Rural development centers	311,000	311,000	- -
Soybean cyst nematode research, Missouri..........	240,000	300,000	- -
Bean and beet research, Michigan .	82,000	97,000	- -

	FY 1982 Appropriation Act	FY 1983 Appropriation Act	FY 1984 Budget Estimate
Aquaculture research, Stoneville, Mississippi	$240,000	$270,000	- -
Dairy photoperiod research, Michigan	34,000	34,000	- -
Bean flour research, Texas/Michigan ...	99,000	99,000	- -
Aquaculture research	518,000	518,000	- -
Antidesertification research	1,037,000	1,037,000	- -
Peach tree short life research, South Carolina.....	192,000	192,000	- -
Blueberry shoestring virus, Michigan ..	96,000	96,000	- -
Food quality and safety research...	384,000	384,000	- -
Mosquito research, riceland agroecosystem	480,000	480,000	- -
TCK smut (wheat) ..	288,000	361,000	- -
Sunflower midge, North Dakota	72,000	80,000	- -
Dairy goat research, Prairie View A&M, Texas	- -	100,000	- -
Sugarland use research, Hawaii .	- -	150,000	- -
Stocker cattle research, Oklahoma	- -	140,000	- -
Agronomic and horticultural studies, Oklahoma	- -	110,000	- -
Potato research, Eastern Russet breeding program .	- -	200,000	- -
Biomass energy research, Oregon .	- -	1,200,000	- -
Subtotal, Special research grants.	8,964,000	11,051,000	- -
Alcohol fuels research (Section 1419, PL 95-113) .	540,000	540,000	- -
Native Latex Act (PL 95-592)	702,000	702,000	- -
Total 1/	10,206,000	12,293,000	- -

1/ Includes 3% set-aside for Federal administration.

NATIVE LATEX ACT

Question: What has been accomplished to date with funds provided for activities under the Native Latex Act?

Answer: The Cooperative State Research Service is supporting a program of research on guayule through grants under the Native Latex Act that include production practices, seed production, water utilization, salinity managemnt, and increased yield and rubber content through breeding and genetics. The research is being conducted by the State agricultural experiment stations in Arizona, California, New Mexico, and Texas. Grants have been awarded from funds appropriated as follows: FY 1980-81, $650,000; FY 1982-83, $702,000. No funds are requested for fiscal year 1984. A small base of Hatch Act and non-Federal funds also supports this research in the States.

Question: What will be the impact of providing no funds this year?

Answer: Research grants funded in fiscal year 1983 and prior years will be used over the period covered by the grants awarded for completion of the research proposed in the grants. Should the States choose to continue the research they would have to utilize other funding sources.

RURAL DEVELOPMENT CENTERS

Question: In previous years, funding for the four regional development centers was provided under the Special Grants program of CSRS and under Federal administration of the Extension budget. This year no request for funding is included in either budget. Why?

Answer: The decrease proposed results from realignment of the research effort of the Special Research Grants program. Prior funding under the Special Research Grants program of CSRS has already directed attention to areas of research appropriate for investigation by, or under the sponsorship of, the regional development centers, and research grants funded in fiscal year 1983 will be used for completion of the studies proposed in the objectives of the grants awarded.

Question: Do you feel these centers have accomplished what was intended when Congress appropriated the funds for these centers?

Answer: The level of funding and the time period of support provided by these grants has already yielded important information of assistance to rural area residents and local governments, as well as helping to assure the initial viability of the Centers. In the Rural Development Policy Act of 1980, Congress mandated the preparation of a strategy to improve the effectiveness, responsiveness, and delivery of Federal programs in rural areas; to increase coordination of Federal programs with the development of objectives and resources of local, substate, State and multistate governmental authorities; and to achieve the most effective combination of Federal, State, and local resources to meet the needs of rural areas. We believe the Centers will have accomplished as much as, or more than, could have been expected in these areas with the amounts of support provided.

Question: Do you feel this was a waste of Federal dollars?

Answer: Certainly not. As has been indicated, the accomplishments of the Centers have been commendably in line with, or greater than, what could have been expected from the relatively modest annual allotments each has received.

Question: What would be the impact of providing no funds in fiscal year 1984?

Answer: Funding under the Special Research Grants program of CSRS has supported specific areas of research identified in proposals submitted annually by the Centers. Hatch Act funds allotted to the States on a formula basis would permit State institutions to fund research in any of these areas which they identify as high priority and wish to continue. Two of the four Regions have approved regional research projects, funding for which supports activities of the Centers. The other regional associations of State Agricultural Experiment Station directors are exploring a similar approach.

Question: Please provide for the record some highlights or accomplishments of each of the four centers.

Answer: Program emphases at the North Central Regional Center for Rural Development (NCRDC), at Iowa State University, Ames, Iowa, has included the development of computer assisted information management and data processing systems for local governments, and the combination of community economic analysis methodologies with large data sets (such as the U.S. Census) for use in rural community planning. The studies on information management and data processing have been handled through memorandums of understanding on development of software and computer systems, with Kansas and Michigan for county governments and with Iowa for municipal governments, while a Missouri researcher conducted a survey of existing systems in all four States for compatability. This project will have exerted significant leverage in terms of the funds and time of local governments which collaborated, and it is expected that they will apply on a regular basis the systems developed, and will continue to refine them, thus achieving a direct benefit as well as providing working models for other communities in and out of the Region.

Similarly, the studies on community economic analysis methodology will give local economic development or planning commissions access to large data sets (such as from the U.S. Census) for utilization in support of local community planning efforts. Work presently in progress will create a base book and application model, with the creation of software still to come.

NCRDC also recently co-sponsored a conference in Omaha on community economic development strategies, the proceedings of which will be published separately and summarized in the NCRDC

Newsletter. Another conference is planned for next September in Ames on computer applications in rural development that would be useful in research and extension work as well as directly by rural governments. The Ames conference will be sponsored jointly with Extension and with the North Central Computer Institute, Madison, Wisconsin.

At the Southern Regional Center for Rural Development (SRDC) at Mississippi State University, the program has included specific research efforts which deal with helping local officials and community leaders to secure improved information. Research data on decision making tools such as capital cost, operating cost, and demand coefficients are prepared using multistate data bases. A research demonstration project linking the USDA research/extension network with Federal laboratories and other research institutions to transfer existing technology to users was conducted in four States. Through information thus obtained, Stillwater, Oklahoma undertook a project to convert its refuse trucks, police cars, and other vehicles to use of natural gas at considerble savings in dollars and energy.

SRDC's response to the rapid advance of computer technology has been to develop and test a working model for the transfer of such technology to county government offices, in cooperation with Mississippi State and Oklahoma State universities and the University of Georgia. Among other outputs was a guidebook illustrating how computer technology can be transferred to other counties from the pilot model, and providing specialized guidance to county officials in determining feasibility and cost-effectiveness and in choosing equipment and systems. A study is in progress on a further regional approach possibly similar to the North Central Computer Institute in Madison, Wisconsin.

Recognizing that "law abiding citizens are increasingly concerned about crime," SRDC has organized a research and extension network of scientists to exchange and provide information about rural and agricultural crime. Eleven researchers from eight States are included. A survey of city and county officials in the Region served as a needs assessment in ways of coping with high interest rates and inflation, and resulted in publication of a bibliography of 730 annotations on methods and training materials.

At the Western Regional Center for Rural Development (WRDC) at Oregon State University, Corvallis, Oregon, specific examples of currently planned research and other activities that are characteristic of the Western Region include a project on public participation as an element in impact management of a major economic change in a rural area, a project on social adjustments and personal adaptation in an energy boom town, and support of research on opportunities and problems of operating worker camps for labor on large projects in isolated areas of the West.

Examples of recent accomplishments of the Center include testing and presenting the results of the testing of survey methods for doing needs assessments. A book by Don Dillman and Daryl Hobbs entitled, "Rural Society in the U.S: Issues for the 1980's" was published. WRDC supported activities on energy conservation in homes which ultimately resulted in WRD-13, a publication entitled, "Energy Directions for the United States: A Western Perspective." Responding as have other Centers to an issue of concern to many local governments, WRDC issued a set of publications on the use of municipal bonds for financing community services and facilities.

The Northeast Center for Rural Development is located at Cornell University, Ithaca, New York. Examples of specific planned activities of the Center include a local government financial workshop in September, sponsorship of a joint research and extension groundwater quality workshop later in the Fall, and the provision of support to four regional research projects. Recent accomplishments include the provision of computer programmer support to Pennsylvania State University for projects NE-130, Factors Affecting Employment Changes in Rural Communities and NE-131, Cost Comparisons of Service Delivery Arrangements to Rural Elderly. A paperback has been published entitled, "The Law and Preservation of Agricultural Land." The Center also sponsored a community services research workshop.

QUESTIONS SUBMITTED BY SENATOR ANDREWS

SUNFLOWER MIDGE RESEARCH

Question: I note that you have recommended discontinuation of many of the Special Research Grants. As I pointed out to the people from ARS Sunflower Midge is a serious and growing problem in my area of the country. In spite of this you have totally cut out the funding for this project. What is your justification for cutting the funds out for sunflower midge research?

Answer: The decrease proposed results from realignment of the research effort of the Special Research Grants program. Hatch Act funds allotted to the States on a formula basis permit State institutions to fund research in those areas that they identify as high priority and could be a possible source of funding for this research if the State wishes to continue the research.

Question: Do you feel that this work is completed?

Answer: The North Dakota Agricultural Experiment Station is making good progress on the serious sunflower midge problem. The research plan is to develop effective control procedures for the sunflower midge and to determine selected biological and ecological interactions between the sunflower plant and the midge. Results from the research funded in fiscal year 1982 indicate that delayed planting can reduce losses from midge populations. Also certain experimental and commercial selections show tolerance at moderate midge infestation levels.

Research being conducted under funds appropriated in fiscal years 1982 and 1983 has not yet been completed. Research grants funded in fiscal years 1982 and 1983 will be used over a period of up to five years for completion of the studies proposed in the grants. As the results of this research become known, an assessment can be made of the need for augmenting this base of scientific knowledge developed by this program.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

RURAL DEVELOPMENT CENTERS

Question: The Department of Agriculture's request for FY '84 does not contain funding for the Rural Development Centers. This is a change from the Department's request of $311,000 in FY '83. Does this change signify a diminished level of commitment on the part of the Department for this program?

Answer: The Department is committed to achieving the most effective combination of Federal, State, and local resources to meet the needs of rural areas. Prior funding under this program has already directed attention to areas of research appropriate for investigation by, or under the sponsorship of, the four Rural Development Centers, and research grants funded in fiscal year 1983 and prior years will be used for completion of studies proposed in the objectives of the grants awarded. The level of funding and the time period of support provided by these grants has already yielded important information of assistance to rural area residents and local governments.

Question: If not, what is the justification of the Department for not requesting any monies for the Centers in FY '84?

Answer: No Special Research Grants funding for these Centers is proposed. Amounts allotted to the States on a formula basis permit State institutions to fund research in those areas that they identify as high priority, and could be a possible source of funding for these programs if the States wish to continue the research. The States are assessing the accomplishments of these Centers and giving consideration to maintaining them from other sources of funding or using other mechanisms to provide the services to the rural community.

STEEP

Question: In FY '83 the Department requested $622,000 to conduct soil erosion and conservation research in the Pacific Northwest under the STEEP program, but no monies are requested in FY '84. What was the level of funding requested by USDA in the Department's initial budget submission to OMB? Was this funding level supported by CSRS?

Answer: The Department Estimates included a funding level of $622,000. The Agency Estimates for this program proposed $665,000. This funding level was supported by CSRS.

Question: The Office of Technology Assessment issued a report in August, 1982 entitled "The Impacts of Technology on U.S. Cropland and Rangeland Productivity." One of the findings of that report was that farmers were not convinced that conservation practices or productivity sustaining approaches are profitable or technically feasible; therefore, there is a need for demonstration and education programs. Research on soil erosion in the Pacific Northwest clearly falls within that category. Is it the Department's view that such research is not necessary or that this finding is not correct?

Answer: It is not the Department's view that such research is not necessary or that the findings in the OTA report are not correct. The Department recognizes the importance of this research; however, in view of other priorities considered in the Executive Budget, no Special Research Grants funding is proposed for STEEP in fiscal year 1984.

TCK SMUT

Question: What was the funding level for TCK smut research that was initially requested by CSRS in its budget submission to OMB?

Answer: No funds were proposed for this program by CSRS in its budget submission.

Question: What is the justification for eliminating funding for TCK smut research after having funded this effort in both FY '82 and FY '83?

Answer: The decrease proposed for the Special Research Grants program realigns the research effort of this program. Prior funding under the program has already directed attention to TCK smut and the research grants funded in fiscal years 1982 and 1983 will be used over the period covered by the grants awarded for completion of the studies proposed in the grants. While a number of areas of research in the Special Research Grants program are proposed for reduction, the formula funded programs have been maintained. This will give the cooperating institutions maximum flexibility in developing their research programs and in funding highest priority research.

Question: Should this action be interpreted that there no longer remains a market objection in the Peoples Republic of China to wheat produced and exported from the Pacific Northwest?

Answer: No, it should not be interpreted that a market objection no longer remains.

Question: If not, then how does CSRS intend that the market objection be addressed?

Answer: Amounts allotted to the States on a formula basis permit State institutions to fund research in those areas that they identify as high priority and could be a source of funding for this program if the States wish to continue the research.

Question: What steps are being taken to address this issue?

Answer: It is essential to develop a sensitive, rapid means to detect possible TCK fungus contamination in domestic market channels and in ship cargo. New races of the fungus have been found, having the potential for widespread damage to current, widely planted winter wheat varieties. The specific factors favoring TCK smut field infection must be defined. Means for decontaminating grain shipments are needed. Current research is focused on serological techniques to detect TCK smut spore contamination and new smut races as they develop. Wheat breeding and genetics research is aimed at locating new, "exotic" sources of smut resistance and incorporating them into commercially acceptable winter wheat varieties. Chemicals are being evaluated for efficacy in killing TCK smut spores in stored or shipped grain.

Question: Is it the Department's view that this market objection is no longer of concern to the United States and to the potentially significant market for Pacific Northwest wheat?

Answer: The Department is aware of the importance of this market objection, however, in responding to the need for Federal budget restraint no Special Research Grants funding for this program was requested in fiscal year 1984.

BIOMASS ENERGY RESEARCH

Question: What is the status or the obligation of funds to Oregon State University for research on biomass energy?

Answer: In fiscal year 1983, $1,200,000 has been appropriated for biomass energy research and a grant on a discretionary basis will be awarded to Oregon State University. A proposal has been solicited and is expected to be received about April 1, 1983.

Question: How quickly does CSRS intend to move once OSU has submitted all the necessary paperwork for obligation of these funds?

Answer: Upon receipt of the proposal, CSRS will make every effort to handle administrative details of the grant award in an expeditious manner.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

SMALL BUSINESS ACT

Question: Please provide a summary as to what plans are underway to implement the Small Business Innovation Development Act of 1982 in Fiscal Years 1983 and 1984?

Answer: The solicitation announcement is expected out in early April 1983. We anticipate a deadline for the proposals in June, funding would begin this fiscal year. U. S. Department of Agriculture employees have been identified to handle proposals in each of the topic areas. The method chosen to review each application will depend on how many proposals are received in each area. If only a few are received in a given research topic area the proposals can be reviewed inhouse. If a considerable number are received in a given area, it may be necessary to hold panel meetings. Once the more meritorious applicants have been identified there will be a meeting of agency coordinators and the Small Business Innovation Research scientists - administrators to select the successful candidates for final approval by the Office of Grants and Program Systems.

Question: How much will have to be set aside as the result of the provisions of this Act in each year and from what accounts, (programs) and in what amounts will these funds be derived?

Answer: For fiscal year 1983 0.2 percent of an agency's extramural research budget must be set aside for purposes of this Act. For fiscal year 1984 the set aside increases to 0.6 percent. The following table represents the estimated set aside for the U. S. Department of Agriculture by agency and fiscal year:

Agency	FY 1983 0.2%	FY 1984 0.6%
Cooperative State Research Service	$455,656	$1,288,434
Agricultural Research Service	76,000	234,000
Forest Service	12,706	34,878
Economic Research Service	600	1,800
Statistical Reporting Service	1,014	3,042
Human Nutrition Information Service	8,800	16,800
Agricultural Cooperative Service	600	--
TOTAL	555,376	1,578,954

Question: What research will be undertaken with the funds?

Answer: Although no grants have been awarded yet in the Small Business Innovation Research program, our solicitation will request proposals in the following areas:

1. Forest and Related Resources: Proposals are solicited for field and laboratory studies focusing on the development of cost effective tissue-culture methods for both hardwood and/or conifer species.

2. Plant Production and Protection: Research proposals are solicited to find ways to increase crop productivity so that effective and efficient food production and agricultural systems can be developed and strengthened.

3. Animal Production and Protection: Research proposals are solicited to find ways to enable producers to increase production and to assure a reliable and safe supply of animal protein while conserving resources and reducing production costs.

4. Air, Water and Soils: Research proposals are solicited to develop technology for using and conserving soil, water and air resources while sustaining optimum agricultural productivity.

5. Food and Human Nutrition: Research proposals are solicited in the area of food quality and safety and in those areas that address the reduction of post-harvest loss. In addition, research proposals are solicited that deal with the assessment of the adequacy of nutrient intake.

6. Rural and Community Development: Research proposals are solicited to find ways to develop business opportunities in rural areas and to look for innovative ways to manage small rural business.

EQUIPMENT

Question: The notes indicate a 100 percent increase in the funds which will be utilized for equipment for CSRS. For what will these increased funds be used?

Answer: In order to efficiently carry out the administration of the formula funded and grant programs with reduced staffing, the Cooperative State Research Service will need to make intensive use of the automated data processing technology that is available. CSRS is now gearing up to utilize word processing equipment and minicomputers to do many of the functions that previously have been done manually and purchase of equipment will be necessary.

COMPETITIVE RESEARCH GRANTS

Question: The budget proposes a new Competitive Research Grants program to concentrate on animal science. What will be the cost associated with setting up and funding a new review committee to review applications submitted for these funds?

Answer: These grants will be awarded on the basis of peer review. Proposals have not been received but we can assume a response of at least 250 proposals at a projected cost of 2 panel meetings for $11,733.

EXTENSION SERVICE

Senator COCHRAN. In looking over the Extension budget, I worry because the administration is requesting such a deep cut—some $41.6 million less than was appropriated in fiscal 1983. I am worried that unless we translate the research that is being done by ARS and through the cooperative programs into practical, usable information and communicate it to the farms and to rural communities, we are going to be missing an opportunity to get the benefit of that research.

Is it your position that this reduction is not going to adversely impact on the economies of the farms among our rural families? What is the justification for this large reduction?

Dr. GREENWOOD. Mr. Chairman, these reductions are being proposed simply because of the critical need to control the growth of the country's budget deficits. As proposed, this budget will generally result in reduced program services in all States, and will require each State to make some very difficult decisions in terms of setting priorities and in conjunction with their advisory committees. The Cooperative Extension System will have to explore every means possible through the utilization of volunteers and new delivery methods to try to retain as best we can that important technology transfer.

IMPACT OF REDUCTION ON EMPLOYEES

Senator COCHRAN. Are there going to have to be a lot of employees of the Extension Service terminated if this budget is approved?

Dr. GREENWOOD. The Cooperative Extension System receives funds from three levels of government—Federal, State and county. The Federal funding for Extension amounts to about 40 percent of the total budget for the Cooperative Extension System. If the proposed budget were to be enacted, it would, undoubtedly, impact upon employees at the State and county level and would result in termination of some employees. Within the food and nutrition program, which we are reducing by some 50 to 60 percent, we estimate, for instance, that it would probably necessitate the termination of some 2,000 or more nutrition aides. We can provide more specific information regarding the impact of these reductions on State personnel for the record.

Senator COCHRAN. Dr. Greenwood, I would like to have more specific information. If we approve this budget as it has come to us, I would like to know how many employees here in Washington and how many at the local level will be terminated. Most of this money is in people, isn't it? Your resource is in people who are communicating with others and providing assistance in education out there at the local level.

Dr. GREENWOOD. Approximately 80 percent of the total Cooperative Extension System budget relates to salaries and staff support.

[The information follows:]

ESTIMATED IMPACT OF PRESIDENT'S BUDGET ON CES EMPLOYMENT IN THE STATES AND COUNTIES

Extension workers by organization classes:	*Number*
State specialists/county agents	668
Nutrition aides	2,269
Other program assistants	280
Clerical/support	348
Total	3,565

Senator COCHRAN. So if we have a $41.6 million reduction, we are going to have a sizable number of employees who either have to be terminated or their salaries picked up by some other level of government; is that correct?

Dr. Greenwood. Yes, sir, that is correct.

Senator COCHRAN. Is there any indication in your discussion with State and local government entities that these employees would be retained and their services utilized by the local school districts or universities or other entities?

Dr. GREENWOOD. I am sorry, I do not have any specific information as it relates to that particular aspect. I guess that as one looks at the austere times that exist today, both the State and local governments are experiencing the same financial pressures, especially in terms of maintaining current operations. I am, however, very optimistic that every effort would be made by our State Extension Services to find a place for affected individuals at every possible opportunity.

SUBMITTED QUESTIONS

Senator COCHRAN. Well, all of you have been quite helpful to the committee. We have some other questions that because of time constraints I have not been able to ask. We are going to submit them to you and hope you will be able to respond for the record.

[The following questions were not asked at the hearing but were submitted to the Extension Service for response for the record:]

QUESTIONS SUBMITTED BY SENATOR COCHRAN

NON-TAX REVENUES

Question: In your statement you say that "in 1982 the Extension system received nearly $25 million non-tax revenues, an amount.. which will come increasingly from user fees..." Will you please be more specific in what you mean by that statement?

Answer: At present, the major portion of Extension's non-tax revenues comes from private contributions, especially from our 4-H program. Within the last couple of years, however, user fees have become a significant factor in this category, coming primarily from the sale of Extension publications and charges for some of our educational programs, such as workshop registration fees and charges for educational materials and supplies.

DEMONSTRATED CHANGE

Question: You also state that last year was a time of assessment, realignment and redirection, and this year is a time of demonstrated change. Since your budget is $41.6 million less than Fiscal Year 1983, are you perhaps suggesting the phasing out of the Extension Service?

Answer: No, sir, I am certainly not suggesting that demonstrated change equates with the phasing out of the Extension Service. The change I was specifically referring to dealt with the restructuring of the Federal Extension staff, in particular, and not the entire extension system. However, we certainly also cannot do more with less. In these times of severe pressures on our Nation's Economy, it is necessary for many parts of Government including Extension to reduce their budgets. So we have sharpened our focus, identified our highest priority areas, and are continually seeking to become more effective and efficient in delivery of Extension Educational Programs.

Question: For Fiscal Year 1984, you are requesting that the Smith-Lever Sections 3(b)and 3(c) formula funding levels be maintained at the 1983 levels. This is also true for the 1890 Colleges and Tuskegee Institute. What impact will this have on the States and institutions that receive these funds?

Answer: We expect that each State will have to continue to reassess and prioritize Extension programs in terms of the specific clientele needs that exist in their respective States. This continued evaluation coupled with a decreased inflation rate, we believe, will allow extension activities to be maintained at near current levels by the States with minimum impacts.

Question: It is my understanding that a Special Committee Appointed by USDA and The National Association of State Universities and Land Grant Colleges has indicated that more money is needed to help improve its educational programs on farm production technology and marketing strategies. Would you care to comment on this recommendation?

Answer: The Joint Committee on the Future of Cooperative Extension did indeed make a number of recommendations, among which was a recommendation for all three levels of government who participate in funding the Cooperative Extension Service to maintain their rates of support of Extension work. The Committee also recommended increased private sector support, increased reliance on user fees and charges, and confirmation of the search for cost reducing techniques and efficiencies including improved targeting of programs. The committee further called on CES to do a better job of justifying the need for increased resources through an improved accountability and evaluation system.

COMPUTER SYSTEMS

Question: This committee recommended an expanded effort to use computer systems to help make Extension programs available for public use. Please describe your present computer systems and how much money is available for the purpose.

Answer: At present, the Cooperative Extension Service operates several computerized networks-an electronic mail network in all 50 States, the District of Columbia, and Guam, Videotext, a Narrative Accomplishment Reporting System, an Accountability and Evaluation System, and a 4-H Youth Enrollment Reporting System. The computerized systems are used for problem solving, decision making, and rapid information delivery. Two examples of Extension-operated computer systems in the States are the Computerized Management Network (CMN), operated by the Virginia Cooperative Extension Service at Virginia Polytechnic Institute and State University which provides USDA Crop and Livestock Reports within the hour after daily release in Washington, and the Fast Agricultural Communications Terminal System (FACTS), operated by the Indiana Cooperative Extension Service at Purdue University, which provides a menu of problem solving computer programs, such as cropland lease alternatives, beef cattle rations, family home insulation management and crop pest management. A more complete list of computerized systems is available in the December, 1982 committee print on "Information Technology for Agricultural America", prepared for the Subcommittee on Department Operations, Research, and Foreign Agri- culture of the U.S. House Committee on Agriculture.

For fiscal year 1983, no Federal dollars were specifically earmarked for the development of information systems technology, software, or training. This work is being supported by unearmarked formula funds Every State Extension Service makes some use of computers; but, there is wide variation. Some States are state-of-the-art current. (Indiana, for example, employs 22 computer professionals). A few State Extension Services may be allocating as much as 5-10% of their budgets to computer-related efforts, while others devote as little as 1-2%.

Question: Do you feel your current level of resources is sufficient or do you agree with the committee?

Answer: We agree with the committee's recommendations for an expanded effort in the computerized information systems delivery area. We are moving as rapidly as possible by reallocating existing resources, on a high priority basis, toward this expansion. In addition, the "Extension in the 80's" report issued in February, 1983 "strongly recommends the use of new technology in providing viable educational opportunities to expanded audiences" and stresses the importance of keeping "current in its means of reaching people".

Funds from Federal, State, local and private sources are being reallocated to provide the impetus for the initial acquisition of computer hardware and continued annual procurement of the human resources needed to augment the effort in the computer area.

Estimates from the Extension Committee on Organization and Policy (ECOP), in its report "The Computer: Management Power for Modern Agriculture", are that the initial computer equipment outlay for a county Extension office would approximate $12,500. An additional $15,000 per county office on an annual basis is needed for professional staff, benefits, and overhead, county equipment amortization, maintenance, and operation, and central equipment, communications, and operating costs.

For a national network of 3600 offices, the total annual cost for a quality computerized information delivery system is $54 million.

Improving the efficiency and the effectiveness of Extension through use of the latest computer technology is one of our highest priorities and we are reallocating resources toward that end.

EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM

Question: Dr. Greenwood, last year you stated that nutrition education was a "main thrust" of Extension activity. Yet, this year you are requesting a decrease of some $25.5 million for the Expanded Food and Nutrition Education Program (EFNEP). This is a pretty drastic cut, it appears to me. Please describe the effects of this cut on the EFNEP program.

Answer: We estimate that the effects of the reduction will eliminate over 400 sites and at least 11 States will receive funding of less than $175,000 minimum - a level we feel is needed for cost efficient operation of a program. American Samoa, Guam, Micronesia and the Virgin Islands will receive only $50,000. The States however will receive greater program flexibility in determining the use of the EFNEP funds. The proposed funding level could result in the termination of over 2,000 nutrition aides and 250 professionals. Currently, 5,137 aides and 532 professionals are funded through EFNEP. Over 100,000 fewer families, representing 400,000 family members, will be enrolled and taught in the program annually. Currently about 263,000 families are reached each year. Contributions from over half of the 57,000 volunteers will probably be lost through lack of staff time for recruitment, training and support. Responsibilities of the Federal staff will be scaled down reducing capabilities for monitoring program status and for performing program functions.

Question: What changes in the EFNEP program will you make if the reduction is approved?

Answer: In order to give maximum discretion to States in the use of their reduced EFNEP monies to address their respective problems, the 20 percent requirement for youth clientele would be waived. Individual and small group methodology would be supplemented with other educational methods and materials currently being tested in an EFNEP/Food Stamp project. More intensified learning-teaching formats will be used in both youth and adult programs.

Question: How many Extension program employees do you presently have?

Answer: There are presently 5,137 paraprofessional aides employed full- or part-time (or a total of 3,050 FTE's) and 533 professional FTE's assigned to the EFNEP program.

Question: How many would you have with the FY 1984 request?

Answer: The FY 1984 request would result in an estimated reduction of over 2,000 paraprofessional aides and about 250 professionals.

Question: How many volunteers work on this program?

Answer: Currently, 57,322 volunteers assist with the program. It is estimated that contributions of over half of these volunteers would be lost through the lack of staff time for recruitment, training, and supervision.

Question: Who will assist the families participating in various food assistance programs, such as food stamps and WIC, if this cut in Extension's budget is approved?

Answer: There will be a significant reduction in our assistance to the recipients of these programs. Currently 58 percent of the EFNEP families participate in the Food Stamp Program and 22 percent in the WIC program. There is no other educational program of this type available for Food Stamp participants. WIC recipients receive some information from health professionals at the point of distribution.

Question: How many families are presently being assisted?

Answer: During 1982, 263,536 families and 524,302 youth participated in the EFNEP.

Question: How many would be assisted if the cut is approved?

Answer: There would be approximately 126,000 fewer families and 252,000 fewer youth enrolled as a result of the FY 1984 Budget.

Question: Please explain the current funding distribution.

Answer: Prior to 1982, EFNEP funds were distributed as follows: 10 percent equally to all States and the remainder to the States based on the percentage of the poor population within each State to the total poor population of the country. In the 1981 Farm Bill, the formula was changed so that amounts over the 1981 funding level were distributed: 4 percent for federal administration; 10 percent equally among States; and the remainder allocated to each State based on poverty population. American Samoa, Guam, Micronesia, and the Virgin Islands each received $62,000 in 1983.

Question: If the reduction is approved, how would the funding distribution change?

Answer: If approved at the proposed level, the funding distribution would revert back to the formula used prior to the 1981 Farm Bill.

MEMORANDUM OF UNDERSTANDING

Question: I have been advised that recently a Memorandum of Understanding between USDA and the president's Committee of the Handicapped was signed by Secretary Block. This memorandum is the first of its kind between the Committee and a government department. Will you please describe for the committee what this is and what will be accomplished under this memorandum of understanding.

Answer: The purpose of this Memorandum of Understanding is to provide for joint activities by the Department and the President's Committee on Employment of the Handicapped to further rehabilitation and placement of handicapped persons living in rural areas.

Question: What role will the Extension Service play in this regard?

Answer: Under the terms of this Memorandum of Understanding, the Department will work through the Extension Service to develop awareness of the resources and services in rural areas that can help handicapped persons fulfill their potential for employment and economic well-being and to encourage employers to hire job-ready handicapped persons. Other agencies of the Department will be encouraged to cooperate. Information will be targeted to handicapped persons and their families and coordination and referral encouraged among agencies at the local community level through county offices of the Cooperative Extension Service. The Extension Service will also encourage agencies to work with the Governors' Committees and local committees on employment of the Handicapped and with independent living centers.

Question: Will any additional funding be required?

Answer: No additional funding is being requested.

INTEGRATED PEST MANAGEMENT

Question: The Fiscal Year 1984 budget eliminates earmarked funding for Integrated Pest Management (IPM). You indicated in the statement you "believe the private sector can be expected to meet producer demand for continuation of services initiated by State Extension Services." in view of the fiscal constraints on State & local Governments, what assurance do you have that States or the private sector will be able to continue this program?

Answer: Extension Service efforts have created an awareness of the economic benefits of Integrated Pest Management. Although the States have the option to utilize formula funds to meet their individual priorities, we believe the demand for IPM services will be such that States will commit sufficient resources to this program. In some States, the delivery of IPM services is already completely in the private sector, with assistance from Extension education activities and in other States the transition is presently occurring.

RENEWABLE RESOURCES EXTENSION ACT

Question: What was the basis for the decision to again request termination of funding for the Renewable Resources Extension Act?

Answer: We were faced with large potential reductions in Extension's overall budget. We had to consider both earmarked funds such as RREA and Smith-Lever 3d and unearmarked funds such as Smith-Lever 3 b & c formula. Over the years, the unearmarked funds have provided the base program in every State, with the flexibility to respond to changing conditions. Earmarking of funds, for special purposes, has been effective when the earmarked funds were in addition to the base program but, given the magnitude of the proposed reductions, it was decided to protect the basic Extension system, because without a strong basic system, earmarked funds may not be effectively used in the future. Renewable Resources Extension Act funds were not singled out for reduction. Every one of the earmark-funded programs were either proposed for termination or for substantial reduction.

Question: I understand that you are requesting a rescission of $2 million provided for renewable resources in fiscal year 1983. Did Extension propose this rescission or was it the Department or the Office of Management and Budget?

Answer: There is no rescission proposed for the Renewable Resources Extension Act funds in FY 1983. The $2 million has been apportioned from the Treasury and will be distributed to the States.

Question: You again have indicated that this function does not have to be funded, because State Extension Services can use their Smith-Lever funds for these purposes. While this may be true, given that there is no increase in Smith-Lever, how likely is it that States will take on more renewable-type work with Smith-Lever funding?

Answer: Nearly all States had ongoing programs, within Smith-Lever 3 (b&c) funds, which dealt with renewable resources, even before the Renewable Resources Extension Act funds. If State and county funds are included, these ongoing programs are funded for about $15 million. The $2 million of RREA funds provided the States an opportunity to expand current programs. Without the additional $2 million, some States will have to drop back to their previous program, but other States will continue the programs begun with the additional $2 million by reallocating Smith-Lever 3 (b&c) funds from some other program area. The extent to which this reallocation will take place depends upon the local priorities in each State.

Question: The report on the 1983 Agriculture Appropriations Bill contained language concerning "targeting funds ... to States with greatest needs." Please provide a table showing the Fiscal Year 1983 RREA allocation per State.

Answer: The 37 States which were targeted to receive the FY 83 RREA allocations and the amounts they will recieved are listed below:

State	FY 83 RREA Allocation
Georgia	$ 86,315
California	84,523
Texas	82,731
N. Carolina	80,939
Alabama	79,147
Oregon	77,354
New York	75,562
Pennsylvania	73,770
Virginia	71,977
Mississippi	70,185
Washington	68,393
Arkanas	66,600
Louisiana	64,808
Michigan	63,016
Florida	61,223
Tennessee	59,431
S. Carolina	57,639
Wisconsin	55,846
Missouri	54,054
Kentucky	52,262
Maine	50,469
W. Virginia	48,677
Montana	46,885
Ohio	45,092
Illinois	43,300
Minnesota	41,508
Idaho	39,716
Colorado	37,923
New Mexico	36,131
Alaska	34,339
Indiana	32,546
Arizona	30,754
Massachusetts	28,962
Oklahoma	27,169
New jersey	25,377
Wyoming	23,585
Nevada	21,792
	2,000,000

FARM SAFETY PROGRAMS

Question: You are again proposing the elimination of the Farm Safety Program. Please describe the seriousness of Farm-related injuries that may be reduced by a continued Farm Safety Program.

Answer: Agricultural work accidents costs over $2 1/2 billion dollars per year, based on current national Safety Council data. Preliminary data for 1982 indicate 1,800 deaths and 180,000 disabling injuries in agricultural work. The council estimates loss of income and cost of medical care to be $10,600 per disabling injury and $380,000 per fatality associated with work accidents. Every 1 percent reduction in agricultural work accidents results in a savings of 25 million dollars per year. A savings of 250 million dollars per year is expected as a result of effective agricultural safety programs. This 10 percent reduction in agricultural work accidents is a feasible and prudent target to achieve in the next 5 years.

A reduction of 11 percent in agricultural work accidents from 1980 to 1982 is already projected by National Saf ety Council Statistics. A significant portion of this reduction can be credited to farmers, growers, ranchers, and their employees all working more safety, stimulated by awareness media and educational programs sponsored by the USDA Cooperative Extension Service supboth with earmarked and other funding sources.

The above deals only with the area of occupational safety in agriculture, additional savings in human and financial resources would result from Extension programs associated with 4H Youth, home economics, recreation, and other non-agricultural areas.

Question: You also propose to eliminate funds for the Urban Gardening Program. Please tell me the accomplishments of the program and what would be done in Fiscal Year 1984 if funds are provided?

Answer: In 1981, the USDA Urban Gardening Program in the sixteen cities-New York, Chicago, Los Angeles, Philadelphia, Detroit, Houston, Atlanta, Baltimore, Boston, Cleveland, Jacksonville, Memphis, Milwaukee, Newark, New Orleans, and St. Louis-had over 174,000 participants guided by more than 2600 volunteers and 200 paid staff. Value of production from these city "farms" was $14,500,000.

Over one-fifth of the total participants were youth and about one-third were senior citizens. The program also includes teaching of skills in proper produce utilization for a better and healthier diet and nutrition by use of fresh and preserved garden products. If funds were not made available in FY84, the majority,if not all, of the Urban Gardening Programs in the sixteen cities would be terminated. About one third of the total program participants enter the program each year. Therefore, in three years they graduate to producing food and using it with minimal help from the program. The projected value of production for FY84 from the gardens in the program is $20,000,000 with the number of participants equal to that in FY81. The funds appropriated have not been increased since 1978 when the sixteen cities program was initiated. The program is targeted to inner city low income dwellers and it is a means toward better health and increased buying power. The program has also created a better understanding of agriculture and a more responsive social attitude.

COMMONWEALTH OF THE NORTHERN MARIANAS

Question: An increase has been requested to provide extension education programs to the Commonwealth of the Northern Marianas. Please describe in some detail what efforts would be initiated if this request is approved.

Answer: The funding will be used by the Commonwealth of the Northern Marianas to continue Extension Work pertaining to crop reproduction and cooperative organization and marketing initiated in FY 1983. Specific Extension activities and programs will emphasize production and marketing needs, demonstrations and assistance in the areas of Pest and Disease problems of crop production, introduction of new production practices and improved market and cooperative organization and management. It will also include Extension work in the area of human nutrition.

Question: What personnel requirement would be associated with this proposal?

Answer: Plans call for conduct of the Extension work by staff members of the Department of Natural Resources, Commonwealth of the Northern Marianas, with assistance from University of Guam and University of Hawaii where appropriate.

IMPACTS OF OTHER REDUCTIONS

Question: Dr. Greenwood, in testimony before this subcommittee last year, you stated it has been your observation over the years that as programs of other agencies diminish, the demand for Extension programs increases and more farmers are going to local Extension offices seeking counsel and assistance. As you know the Administration has again requested big cuts in SCS, ASCS and FmHA programs. In view of your previous observation, how can you justify such a large reduction in the Extension Budget?

Answer: Senator Cochran, it's quite correct that demand for Extension programs does increase as programs of closely related agencies are cut back. If the proposed cuts in SCS, ASCS and FmHA do take place, this most predictably will lead to demands by users for increased Extension efforts. This increased demand will be difficult to satisfy in the earmarked areas proposed for reduction.

4-H PROGRAMS

Question: As you know, I am a strong supporter of our 4-H programs. Have there been any major changes in our 4-H Programs in the past few years?

Answer: There have been significant changes in youth participation in 4-H during recent years. Greater numbers of youth are enrolling in 4-H special interest groups which focus on specific topics for shorter periods of time. 4-H projects offered through 4-H school enrichment programs conducted by Extension staff are also increasing. At the same time, 4-H membership in organized 4-H Clubs is showing gradual decreases. In many States, special efforts are being made to explore new methods and effective means for delivering 4-H educational programs to youth.

4-H programs in urban areas are continuing to expand; however these increases are not at the expense of services to rural youth. Currently, over 53 percent of the youth in 4-H come from farms and rural areas.

Traditional 4-H projects in agriculture and home economics continue to be popular. Many, States also focus activities on program areas such as job and career education, use of electronic technology in 4-H, health programs including alcohol and drug abuse education, and other concerns important to youth today. With reduced budgets for 4-H at all levels and corresponding decreases in professional staff FTE's devoted to 4-H, many States are promoting expanded management roles for volunteer leaders.

Greater efforts are being made to involve youth and volunteers in 4-H program development at all levels by serving on State and local 4-H planning committees and boards and participating in State and National 4-H Conferences.

Question: What effect will the proposed cuts have on 4-H programs?

Answer: Proposed cuts in funding will affect overall participation in 4-H youth programs as well as quantity and quality of 4-H program offerings. Because these funds are matched by state and county appropriations, these cuts could result in an estimated reduction of 568 professional staff years devoted to 4-H, which, in turn, could bring about a loss of over 80 thousand 4-H volunteers who assist youth in their 4-H educational projects and activities. With the projected loss in professional and volunteer staff support, the numbers of youth reached through 4-H EFNEP would be reduced by 220,000 The loss in urban gardening funds would eliminate such programs.

QUESTIONS SUBMITTED BY SENATOR ANDREWS

EXTENSION SERVICE -- NAPIAP

Question: Why does the CES propose to delete Federal funds for a national agricultural pesticide impact assessment program (NAPIAP) relating to a mandate in a Federal law (FIFRA) established by Congress?

Answer: This proposal is in line with this Administration's general reductions in government spending.

Question: Will the CES absorb its NAPIAP responsibilities in 3(b) and 3(c) funded areas even though the proposed FY 1984 budget remains at the same level as FY 1983 for 3(b) and 3(c) funds?

Answer: We do not believe that the CES can absorb all of its current NAPIAP responsibilities in 3(b) and 3(c) funded areas. However approximately 10 States would be in a position to maintain some response on individual State needs to Federal statutes governing registration of pesticides.

Question: How does CES plan to participate in a NAPIAP with a 100 percent reduction in funding for FY 1984?

Answer: CES will not be able to participate fully in the NAPIAP.

Question: How will a farmer or other pesticide user's benefits and use needs be expressed for those pesticides being reviewed against risk by EPA in registering or reregistering pesticides?

Answer: The EPA, as it did prior to NAPIAP, may contract out to the private sector for benefit/use information. Farmer and other pesticide user benefits and use needs may then be obtained from existing reports rather than from current Extension Service control recommendations, and field experiences or result demonstrations with farmers and other pesticide users.

Question: How is the CES using its current FY 1983 NAPIAP funds?

Answer: These funds are used to provide the most objective and accurate data available for defining and evaluating the benefits and risks of selected pesticides having critical agricultural and forestry uses. Extension specialists who have the background and understanding of the local, state, and regional pesticide programs and practices collect, assemble, and prepare reports through the USDA-State NAPIAP network. Extension effort at this time is focused on assisting EPA in resolving outstanding Rebuttable Presumption Against Registrations (RPAR) providing information for EPA special reviews that could result in RPAR's and participating in a new effort to do pesticide assessment by commodity analysis instead of individual pesticide analysis. New assessment teams for individual pesticide analysis have not been formed recently but may be formed pending an EPA, RPAR on any pesticide.

Question: Are there any NAPIAP ongoing projects that will have to be cancelled if funding is reduced 100 percent?

Answer: We expect the following projects to be cancelled because of the termination of funding: (1) "National Pesticide Information Retrieval System," at Purdue University; (2) "Pesticide Assessment by Commodity Analysis - National Project"; and (3) local, state, and regional pesticide use information surveys.

Question: What impact will the proposed 100 percent reduction in CES NAPIAP funding for FY 1984 have on the current program?

Answer: States would have to respond on an individual basis to an EPA, Rebuttable Presumption Against Registration (RPAR) process. There would be no national program inputs; approximately 10 states would be in a position to maintain some response to Federal statutes governing registration of pesticides; the response of another 23 states to Federal statutes would be greatly curtailed; and the remaining 20 states and territories would not be in a position to maintain personnel or records for response to Federal statutes for registering pesticides.

Question: What has been done for farmers as a result of CES participation in NAPIAP?

Answer: Extension Service professional specialists ensure that farmer and pesticide user practical needs and complex problems are brought forth and dealt with in a highly complex and often controversial decision making process. From this intervention, these same specialists can design their educational programs to help farmers and others use pesticides judiciously and comply with pesticide regulations.

Question: What agricultural pesticides have been saved or retained which have undergone review in the EPA RPAR process?

Answer: The Extension Service and other USDA agencies have established 29 assessment teams to address 47 pesticides under review in EPA's RPAR process. The potential adverse agricultural economic impact on cancellation of the first 21 pesticides or groups of pesticides reviewed is estimated at over $6 billion annually. All uses or some critical uses important to American agriculture have been returned to registration on approximately 17 of the 30 agricultural pesticides for which the NAPIAP has provided reports to EPA for review in the RPAR process. Examples are amitraz, benomyl, diallate, EBDC's, endrin, PCNB, thiophanate methyl, toxaphene, triallate, treflan, and wood preservatives. The remainder of the pesticides are in some process of review which includes litigation proceedings on some of them.

Question: What evidence do you have that EPA has used information provided in NAPIAP reports for registering or reregistering pesticides?

Answer: EPA transactions indicate that regulatory options depend very much on reliance of use, benefits, and exposure data from the USDA/State NAPIAP. Several EPA "position documents 2 and 3" have been changed based on NAPIAP reports. NAPIAP assessment team reports have been cited as references by EPA. Examples are amitraz, benomyl, chlorobenzilate, demethoate, EBDC's, endrin, toxaphene, and treflan.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

EXTENSION SERVICE

Question: The Rural Development Centers have traditionally been funded under the auspices of the Extension Service. As you know, from 1974 to 1980 they were funded under Title V of the Rural Development Act of 1972 and in 1981 to 1983 they were funded out of SEA-Extension Administration funds. I note, though, that there has been no request for funding for FY'84. How does the Department propose that the Centers be funded in FY'84?

Answer: We would hope that the States belonging to the respective regions can, at their discretion, choose to assume support for the RD Centers from Title V funds currently being made available to them under the Smith-Lever formula funds.

Question: On June 21, 1982, Secretary Block wrote a letter regarding the Rural Development Centers to Senator Hatfield in which he stated: "Their training materials, networks, and special projects which have been beyond the scope of what individual States can do, have been a big help to the State Cooperative Extension Services rural development programs." In light of the Secretary's statement, does the fact that there is no funding in the FY'84 budget indicate that the Secretary's view of the Centers has changed? If not, how do you account for the failure to fund the Centers in the FY'84 budget?

Answer: The Department's views, as stated in Secretary Block's letter to Senator Hatfield, are still valid. Programs of the Rural Development Centers have been most helpful to all States, but especially so, to those States with limited Extension staff resources in rural development. However, given other priorities and reduced budgets, it is no longer possible to support the Rural Development Centers with funds budgeted for administration and coordination of the CES system.

Question: In that same letter the Secretary stated that the Department was considering funding the Centers under Smith-Lever Section 3(d) in the FY'84 budget and beyond. Does the Department still consider that to be a viable option for funding of the Centers?

Answer: If the Rural Development Centers were to be directly funded from the Federal budget, we would prefer to have that coming from earmarked Smith-Lever 3(d) funding rather than as part of the Federal Administration funds.

Question: What would be the Department's position on funding the Centers out of Smith-Lever Section 3 monies?

Answer: The Department is giving primary priority to maintaining enough flexibility within the Cooperative Extension systems that each State may determine and pursue their own unique priorities and funding decisions through the Smith-Lever 3 (b&c) formula funds. Funding of the Centers within the formula would place an undue limitation on the States.

Question: Why was that option not pursued in the FY'84 request?

Answer: At the reduced funding levels proposed in the budget, our main priority was allowing the States mamximum flexibility in their funding decisions. Therefore we did not propose any additional limitations on the formula funds.

QUESTIONS SUBMITTED BY SENATOR EAGLETON

EXPANDED FOOD AND NUTRITION EDUCATION PROGRAM

Question: Recently there was released an evaluation of the Expanded Food and Nutrition Education Program. Please provide a summary of this report and its findings.

Answer: The evaluation covered both the adult and youth components of the EFNEP program. A summary of the findings is presented in the reports titled: "An Assessment of the Objectives, Implementation, and Effectiveness of the Adult Expanded Food and Nutrition Education Program" and "An Assessment of the Objectives and Implementation of the 4-H Expanded Food and Nutrition Education Program" will be provided for the record.

(The information follows):

An Assessment of the Objectives, Implementation and Effectiveness of the Adult Expanded Food and Nutrition Education Program

SUMMARY

In brief these results show that:

- in response to concerns about hunger and malnutrition among low-income families in the U.S. during the 1960's, activities were expanded that enhanced access to food and improved knowledge about sound nutritional principles and practices.
- currently, (circa 1980) problems of hunger have abated while problems of imbalances in consumption, including overconsumption, remain,
    - the alleviation of such problems requires a greater emphasis on a knowledge of sound nutritional principles and practices than does the alleviation of hunger.

- EFNEP was initiated during the late 1960's as a means of helping low-income families acquire the knowledge, skills, attitudes and changed behavior necessary to improve their diets in normal nutrition
    - this goal has remained the same since the inception of EFNEP and is shared by most persons associated with it
        - such persons also feel that if the program is to be judged on any single accomplishment it should be the extent to which it improves dietary practices

        - problems in loss of program purchasing power (near level funding combined with inflation) and program design (e.g. undue reliance on: the one-on-one instructional approach, the 2-2-4-4 food groups, etc.) were cited as important impediments to the accomplishment of the program goal
    - the national office prescribes approximate standards for participant attainment and completion and collects information routinely on participant improvement in dietary practices as well as other participant information
        - the utility of this information for indicating homemaker's more habitual dietary practices and for indicating homemaker progress were considered weak, at best
        - the utility of this information for indicating local unit program impact, even when maintained conscientiously, was not evident
    - empirical support was not found in the literature for the assumption that indigenous paraprofessional aides were superior to non-indigenous para-professionals and professional personnel in providing nutrition education (the absence of such evidence should not be construed to mean that the assumption is invalid),
        - support in the literature was found for other causal assumptions in EFNEP implementation although the supporting evidence had, at times, methodological limitations.
- EFNEP has been and continues to be effective in targeting funds and services in areas of greatest need and to many needy families, who are judged by associated personnel to be the most appropriate recipients of such services,
    - although not required to do so States and local units contribute about fifty cents for every Federal dollar received, in direct and in-kind services,
    - no beneficial effects of altering current procedures for allocating funds were discerned.
- appropriate types and amounts of training and experience were evident on the part of EFNEP staff as was the amount of time given to supervision and management.
- EFNEP cooperates with other assistance programs primarily through referrals.

    - referrals from other programs (e.g. Food Stamps, and WIC) have increased dramatically recently (circa 1980).
- instructional materials are developed primarily by the State and National Extension Offices, usually working in close cooperation,
    - the State EFNEP Nutritionists appear to be heavily involved in this process.
- some local sites experience a high percentage of homemaker dropout before program completion.
- homemakers who remain in the program show improvement with regard to their food and nutritional knowledge, skills and practices,
    - such improvement reaches a plateau after 12 to 18 months of participation with different homemakers benefitting to different degrees in different areas (e.g. knowledge, consumption, budgeting, etc.),
    - homemakers reported improved dietary practices for their children,
    - benefits derived from participation persist after completion of the program.
- local sites were found to be differentially effective, however, those that were more effective in one area (e.g., knowledge acquired) were not necessarily more effective in another, different area (e.g., improved dietary practices).
    - causal factors that might explain differential site success were not isolated perhaps because they are less tangible and hence less identifiable through the usual questionnaire and interview techniques.
- evidence was not available on the relative effectiveness of EFNEP versus other nutrition education programs,
    - among EFNEP participants trends were observed for WIC participants to fare better than non-WIC participants and for the children of WIC and FS particpants to fare better than those of non-participants.
- states and local sites can devise practices and adapt the program in ways that are different from what they routinely do which can enhance the efficiency, effectiveness and cost/effectiveness of their activities.

Recommendations for program improvement include the following:

- In selected trial sites practices designed to enhance the cost-effectiveness and efficiency of the program (e.g. different combinations of media, individual and group instruction) should be systematically introduced and their effects assessed using acceptable evaluation procedures.

  - In such sites, the administrative guidelines should be waived to the extent necessary (they currently require that at least 70% of of programs funds be spent on paraprofessional salaries), evaluation activities should be supported by an increment of up to 10% of existing program funds, with the results being shared with other sites so that they can redesign and assess the effects of their restructured program activities.
  - During this period of transition to greater cost-effectiveness, appropriate indicators of progress would be the cost-effectiveness of activities in trial sites and the rate at which sites are converted to greater cost-effectiveness, rather than overall program impact.

- The basic four food group paradigm should be reexamined with regard to:
  - The number of groups to be used
  - The emphasis to be given to imbalances in consumption and control of total caloric intake
  - How best to emphasize the role of energy expenditure in maintaining desirable weight while at the same time allowing enough food to be eaten so that needed nutrients can be obtained.
- A core curriculum should be developed which encompasses concepts of mastery of its different instructional areas and completion of the basic program.

- Practices should be encouraged which facilitate serving greater numbers of participants in the FS and WIC programs.

- The current record system should be re-examined with regard to its objectives, purposes and content, frequency and accuracy of maintenance required, with a view towards simplifying and streamlining the entire process.

- Efficiencies in the program as it currently exists can be made in the following ways:

- the period of instruction can be shortened
- in sites that have high dropout rates, these rates can be reduced by allowing aides to work more intensively over a shorter time period with their families
- aide time spent on door-to-door recruiting, record-keeping, travel and perhaps training might be reduced
- States should perform program reviews of their own sites with greater frequency and rigor.

An Assessment of the Objectives and Implementation of the 4-H Expanded Food and Nutrition Education Program

Summary

CONCLUSIONS AND IMPLICATIONS

Five study findings and their policy implications identified opportunities to change program activities, objectives, and uses of information in ways likely to improve program performance.

1. Clarification of Program Focus and Identity

A lack of communication between program staff and across administrative levels has resulted in confusion at State and local levels over leadership, authority, responsibility, coordination of activities, and program implementation.

- Deliberate attempts should be made to redefine the identity of 4-H EFNEP, to more realistically specify and actualize national program guidelines and to clearly describe the functions, roles, and responsibilities of program staff.

Program management must determine and describe the relationship between 4-H EFNEP and 4-H Extension, re-examine program autonomy, and provide new emphasis and clear program direction. A realistic assessment of the interests, resources, priorities, and values within the low-income community must be considered and accommodated by the purposes of the program.

2. Standardization of Curricula and Staff Development Guidelines

Common learning objectives, based on the reported use of program materials, were compared to performed and accomplishment, based on observation of several program activities. While good in theory (goals and expectations), program activities providing nutrition education were generally disapointing. One reason for the apparent ineffectiveness of activities is the lack of standardized curricula. A second reason for this apparent ineffectiveness of activities is lack of standardized teaching methods and principles of education for volunteer and Program Aide development.

- A standardized core of nutrition content should be specified and developed from which a series of graduated lessons and operational learning objectives can be designed, with established criteria for measurement.
- A standardized in-service program should be developed and implemented to provide teaching methods and educational principles.

3. Specification of Reporting Needs

Before usefuly standardized program evaluations can be implemented, it will be necessary to determine what decision-makers and program managers really want to know about the 4-H EFNEP Program.

- The information needs of program management should be determined, and a simplified record keeping system should be designed which includes relevant program information.

To be useful in evaluation, reporting mechanisms must include data that can immediately feed back into subsequent planning and implementation activities, while at the same time, fulfill the information needs at the national, state, and local levels. Further, if long-range developmental and behavioral changes are important indicators of program performance, record keeping procedures must be capable of identifying former participants for longitudinal follow-up.

4. Development of Measurement Indicators

Program staff at the state and site level reported the need to go beyond individual success stories and document evidence of program success; to develop standardized methods for measuring individual progress in nutrition education.

Data is not available to examine the effectiveness of program operations or performance, and interviews with program managers emphasized the gap between program needs, program intentions, and program reality. The general consensus of program staff interviewed during the 4-H EFNEP Study was that no reliable evidence is available to determine if program objectives are being met.

- Deliberate attempts should made to define measurement criteria, and to develop standardized tools to measure program progress and impact.

5. Technical Assistance in Evaluation

Program personnel reported that evaluation is a weak point of 4-H EFNEP, and that technical assistance workshops in the implementation of evaluation techniques and methodology in 4-H EFNEP would be extremely useful and appropriate to local needs.

As a first step in technical assistance, an evaluation handbook could be developed and designed at a level appropriate for state and local program staff, with appropriate practice examples, and different expectations, interest, and skills considered. A field trial of the methods and implementation procedures contained in the evaluation handbook would be beneficial to insure its appropriateness and use. Such an implementation procedure would provide an opportunity to evaluate the concepts and procedures contained in the handbook, confirm that the level of instruction is appropriate for program staff, verify that the content and methods are understood by those wishing to use the handbook, and assure that needed information is not left out. Further, an implementation procedure of an EFNEP evaluation handbook would provide a catalyst for those interested in conducting an evaluation workshop, or support for those in need of further technical assistance in evaluation.

Question: The budget proposes a substantial decrease in funding for EFNEP. Are there program changes that are being proposed which would allow the same level of activity to continue in this program or does the vast majority of these funds go to support personnel?

Answer: The major portion of the EFNEP funding is in people. This is one of the reasons paraprofessionals have been utilized in the delivery of this program since its inception. The paraprofessional program aide is prepared by professionals to teach the low-income audience on an individual basis and in group situations. Although this basic method can and is being supplemented by other delivery methods, it remains most effective for this audience. Despite more efficient program methods, reductions will result in fewer families and youth benefitting from the program.

Question: In FY 1980, 16 pilot projects were carried out that tested ways to increase Food Stamp recipients' participation in EFNEP and to increase the cost-effectiveness of educational interventions. Please provide the Committee with a summary of the analysis of these projects, especially as it relates to increasing participation in the Food Stamp program.

Answer: The 16 pilot projects examined recruitment techniques and innovative teaching methods that would increase efficiency and participation of Food Stamp recipients in EFNEP. The percentage of EFNEP families receiving Food Stamps and donated food has increased from 47.4 percent in 1978 to 58.0 percent in 1982.

The 16 EFNEP/Food Stamp projects varied in scope and methodology. The conclusions are summarized under the general category of program effectiveness, recruitment methods, educational methods, and materials and relationships with other agencies. The information follows:

Food Stamp participants are willing to participate in EFNEP which is an effective educational program in changing food consumption patterns, nutrition knowledge, and other selected food related behaviors.

Direct recruitment is the most successful, although enhanced by media promotions and agency referrals.

Telephone recruitment is an effective means of enrolling Food Stamp families if they have telephones.

In three methods tested, one-to-one followed by group teaching had more successful outcome in nutrition behavior than the mail course, the least successful.

Homemakers achievement is closely related to the number of educational contacts and use of a definite competency-specific curriculum. Two variables, food consumption and food safety and sanitation appear to respond to repeated emphasis over time.

Communication was strengthened and a greater degree of interagency cooperation achieved between EFNEP and Food Stamp offices.

In-store demonstrations attracted only 8 percent of Food Stamp recipients.

Neither invitations sent to households receiving mailout Food Stamps nor those distributed at Food Stamp application sites proved successful in getting individuals to participate in EFNEP classes.

The telephone nutrition message method was not a success. Many Food Stamp families do not have telephones and families who calle to hear the nutrition message seldom requested followup material.

The radio correspondence course did not result in knowledge and behavior change by participants.

RURAL DEVELOPMENT CENTERS

Question: Please provide a description of the work currently carried out by the Rural Development Centers and the location of these Centers.

Answer: We will provide that information for the record. The information follows:

EXTENSION WORK AT RURAL DEVELOPMENT CENTERS

Extension projects can be categorized as one of two types:

One type deals with low-cost, $3,000 or less, innovative projects with small, short-term support requirements. These activities are intended to initiate new ideas and take advantage of unique opportunties. Out of these innovative projects, larger efforts often evolve and which either the centers may support, or for which other support, often foundations, is obtained. Examples of this type of project include task force work on rural transportation, manpower and employment, land use, economic growth and decline, computer programs for small units of government, small business etc.

The second type and a major part of the Center programs, are substantive regional research or extension efforts. Examples of substantive projects are: "Impacts of Transportation Deregulation on Rural Communities." Rural Area Public Services - Costs, Revenues and Management," Strategies for Economic Development," "Rural and Agriculture Crime Prevention," Small Business Management," Groundwater - Quality and Quantity, Local Government Finance, "Rural Recreation Programs, " Etc.

Program results are disseminated by the Centers through an extensive series of publications, regional or national seminars and workshops, and/or the sharing of faculty expertise among the States.

In addition, the Regional Rural Development Centers also handle several different projects as follows:

SOUTHERN: Water Issues - Quality and Quantity; Manpower Development, Rural Recreation Industry; and Agriculture Land Losses

NORTHEAST: Local Government Finance; Rural Census Information-Needs and Uses and Rural Government Finance and Revenues.

NORTHCENTRAL: Computer Application for Rural Governments; Small Business Management; Strategy for Rural Economic Development; and Rural Crime Prevention

WESTERN: Copying with Economic Change; Impact of Transportation Degregulation on Rural Communities; and Public Services in Rural Areas.

FUNDING:

The Federal Extension Service provided $100,000 in funding to the Regional Rural Development Centers during FY 1982 and 1983. No funding is proposed in the FY 1984 President's Request.

STAFFING AND LOCATIONS:

Western.......Full-time Director; Administrative Aide and part-time Editor. Corvallis, Oregon

North Central.Part-time Director; Adminsitrative Aide and Part-time Editor. Ames, Iowa

Southern......Full-time Director Secretary; part-time Editor and part-time publications Aide. Starkville, Mississippi

North East....Director, full-time Staffer and part-time Secretary. Ithaca, New York

ACCOMPLISHMENTS

There are as many different types of accomplishments as there are differences among the regions. A specific example is illustrated by the recent publication of an analysis of impact of conditions in the municipal bond market on rural community services and facilities. Another example is when faculty from these universities developed and tested a working model for transferring computer technology to local government officals.

In another region, economic hard times caused the combined faculty of a coping-with-growth project to become involved with the concerns of economic decline. The previous project helped community leaders understand the problems of rapid growth (137,000 publications from that project have been requested). The effort to deal with decline is addressing such type areas as local capital funding public service provision, monitoring financial trends, and dealing with individual and family stress.

Another region published a book, "The Law and the Preservation of Agriculture Land," that sets forth basic tools of land use planning and their application in family rural areas. The demands upon and the resulting decline of agriculture lands and other natural resources issues, especially water issues, have been addressed by all four centers,

In another region a recent research project examined the current administration and financial future of FmHA rural water systems. A series of reports are being used to help rural communities make decisions about the development of new water systems.

NATIONAL AGRICULTURAL LIBRARY

Senator COCHRAN. Mr. Howard, there is one question I need to ask you.

The National Agricultural Library, as I understand it, was going to be assisting or has been assisting in the development of a national aquaculture information system. What is this project about, and what is your role in it?

Mr. HOWARD. Mr. Chairman, in fiscal 1981 we requested $100,000 to establish an aquaculture information system at NAL, including one full-time technical officer and support staff of two persons full-time. Funding was granted, but no positions were forthcoming, so this concept has changed into an information center. The Library has been working with Auburn University in providing a data base. We have been purchasing more materials, both monographs and serials. We have published, for instance, a directory of aquaculture information resources. We have other projects ongoing and continue to devote part of our resources to the subject of aquaculture.

Dr. BENTLEY. Mr. Chairman, may I have Dr. Thomas address that also.

DISTRIBUTION OF AQUACULTURE PUBLICATIONS

Dr. THOMAS. There have been two publications recently by the National Agricultural Library in cooperation with the current research information system about aquaculture. They have just recently been distributed to the States, and they will be very useful to our research and extension partners.

SUBMITTED QUESTIONS

Senator COCHRAN. There are other Senators who have submitted questions and requested that they be answered for the record—Senator Hatfield, chairman of our full committee; Senators Andrews, Kasten, Eagleton, and Roth. We will submit these questions to you and hope that you will be able to respond to those for the record. We would appreciate it very much.

[The following questions were not asked at the hearing but were submitted to the National Agricultural Library for response for the record:]

QUESTIONS SUBMITTED BY SENATOR COCHRAN

FOREIGN LITERATURE

Question: Are we keeping current with worldwide agricultural literature?

Answer: No. There has not been a time within at least the last 10 years when we acquired all available important agricultural literature. In 1977 we were doing a reasonably adequate though not complete job. During the five year period 1978 through 1982 NAL book purchasing power failed to keep up with inflation and diminished until it was only about half of the 1978 purchasing power level. More emphasis, therefore, was placed on obtaining U.S. publications during this period. The purchasing power of the 1983 book budget has been increased somewhat and improvements in the collection of foreign agricultural literature are expected to occur.

Question: What percentage of the collection in the NAL is foreign and what is domestic?

Answer: Our best estimate is that approximately 60% of the NAL collection is of foreign origin and 40% is domestic. These percentages do not necessarily represent world publication of agricultural literature either currently or in the past.

Question: Please list the countries with which you have an ongoing relationship for services.

NAL has an ongoing publications exchange and gift service relationship with a number of countries.

The information follows:

Albania, Algeria, Angola, Antiqua, Argentina, Australia, Austria, Bangladesh, Barbados, Belgium, Belize, Bermuda, Bolivia, Botswana, Brazil, British Solomon Is., Bulgaria, Burma, Cameroon, Canada, Central African Rep., Chad, Channel Islands, Chile, Colombia, Congo, Costa Rica, Cyprus, Czechoslovakia, Dahomey, Denmark, Dominican Rep., Ecuador, El Salvador, Egypt, England, Ethiopia, Fiji Islands, Finland, France, French Guyana, Gabon, Gambia, Germany, Ghana, Greece, Guadeloupe, Guatemala, Guyana, Haiti, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Ivory Coast, Jamaica, Japan, Jordan, Kenya, Korea, Kuwait, Lebanon, Lesotho, Liberia, Libya, Luxemburg, Malawi, Malaysia, Maldive Islands, Mali, Malta, Mexico, Morocco, Mozambique, Nepal, Netherlands, Netherlands Antilles, New Caldonia, New Guinea, New Zealand, Nicaragua, Niger, Nigeria, Northern Ireland, Norway, Okinawa, Pakistan, Panama, Paraguay, Peoples Republic of China, Peru, Phillipines, Poland, Portugal, Reunion, Rumania, Rwanda, St. Kitts, St. Vincent, Samoa Island, Saudi Arabia, Scotland, Senegal, Sierra Leone, Singapore, South Africa, Southwest Africa, Spain, Sri Lanka, Sudan, Surinam, Swaziland, Sweden, Switzerland, Syria, Taiwan, Tanzania, Thailand, Togo, Tonga Island, Trinidad-Tobago, Tunisia, Turkey, Uganda, USSR, Upper Volta, Uruguay, Venezuela, Wales, Yugoslavia, Zaire, Zambia, Zimbabwe.

Question: Please describe your present international activities.

Answer: Foreign publications are acquired through gift and exchange activities and direct purchase. About 75% of the Library's current journals and about 15% of its monographs are acquired through the gift and exchange program. Publication exchange arrangements exist with about 13,000 institutions in about 140 countries throughout the world.

NAL also purchases publications from remote areas of the world through cooperation with the Library of Congress's Special Foreign Acquisition Program and through the State Department's special publication purchasing programs. Blanket order arrangments with dealers in some foreign countries enable NAL to acquire publications from the country of origin comprehensively and rapidly. Publications are also acquired by direct purchase from the publishers.

AQUACULTURE

Question: It is my understanding that the NAL has been assisting in the development of a national aquaculture information service. Please describe this project for me and elaborate on your role.

Answer: The National Agricultural Library has provided substantial assistance to the development of a national aquaculture information program mandated in the National Aquaculture Act of 1980. Working with an interdepartmental committee, we view our role as one of leadership and coordination in providing an information focal point for Federal agencies with aquaculture and related programs. NAL accomplishments include the purchase of books and journals dealing with aquaculture to enhance the NAL collection, and issuance of a number of publications, including:

> Agricultural Issues Overview on Aquaculture, which brings together information on selected current literature, research projects, legislation, and a selected listing of information resources.
>
> Directory of Aquaculture Information Resources, which lists information centers and libraries with collections of aquaculture information.
>
> Aquaculture Research: A Directory of USDA and State Projects in CRIS, which provides descriptions of aquaculture research activities of the U.S. Department of Agriculture and the States, and serves as a guide to the scope and direction of these efforts.

Publications being prepared for issuance this year include, Aquaculture Bibliography, a comprehensive list of literature on aquaculture drawn from the AGRICOLA database.

Major Aquaculture Associations, Education, and Research Resources in the U.S., which identifies facilities, organizations, opportunities for study, and names of people in the aquaculture field at the national, State, and county levels.

In addition, we are contributing to the funding of the aquaculture bibliographic file produced by the Virginia Institute of Marine Science.

REPAIR AND MAINTENANCE

Last year we provided funds for roof repair.

Question: Have these repairs been made?

Answer: $200,000 was provided NAL in FY 1983 to repair the roof on the wings of the library building. A contract for this purpose is being let at the present time. We anticipate all work related to that contract will be completed in fiscal year 1983.

Question: Was the amount sufficient or will additional funds be required in Fiscal Year 1984?

Answer: The amount appropriated by Congress in fiscal year 1983 will not be sufficient to complete the work. $75,000 will be added by the library in fiscal year 1983 in order to do so. No additional funds for this specific activity are required in fiscal year 1984.

Question: What other types of repair and maintenance will be required in Fiscal Year 1984?

Answer: In fiscal year 1984, the Library will need to replace the water-damaged first floor carpet, and repair ceilings and walls which also suffered water damage from leaks in the roof over the wings of the building. In addition, NAL will initiate repairs to the roof on the tower of the building.

SERVICES AND STAFFING

Your explanatory notes indicate you have reached a "critical point" in being able to provide library and information support services to the users. In fact, this was also stressed in the Report prepared by the Interagency Panel.

Question: Please describe the nature of the problem and what you plan to do in Fiscal Year 1984 to resolve this problem.

Answer: Many users were not satisfied with certain services. They felt that too much time was used to respond to requests for loan or copies of publications; that citations were not added to our database with sufficient promptness; and that our hours of service were too restrictive. In addition, reduction in the number of books and journals collected decreased our ability to respond satisfactorily to requests for documents and information.

Additional resources are being requested in the FY 84 budget which will enable us to provide prompter service on requests, to extend hours of service into evenings and weekends, and to facilitate cataloging and indexing, thus insuring more timely processing of records into databases. Funds are also sought to help us provide special information services in high priority subjects of special interest, by establishing a pilot center of excellence in such a field.

Question: Is your Fiscal Year 1984 budget request sufficient?

Answer: The fiscal year 1984 budget request is sufficient to fund the first increment in our program to comply with the Interagency Panel's recommendations.

The panel recommended that supplemental funds of approximately three million dollars over a two year period are needed by NAL to provide improved services. Additional funds for networking were also recommended. We would hope to submit commensurate requests for increments next year and perhaps the year following, subject to overall departmental and national priorities and requirements which apply at that time, to fully correct the problems identified.

Question: Will additional personnel be needed?

Answer: Our fiscal year 1984 budget request provides for 20 additional positions. Our present plans are to use fifteen staff years to extend hours of service and improve quality and timeliness of service; three additional staff years for purchase of books, journals, and materials in other formats, and special accessing services; one staff year (and some contract effort) to ensure timely processing and input into the AGRICOLA database; and one staff year increase to service the proposed center of excellence.

The Interagency Panel recommended that the staff be increased by some 50 positions, or equivalent contracting support. We believe personnel and/or contract equivalents beyond those called for in this request will be needed in future years.

USER FEES

Question: Please describe your present policy with regard to user fees.

Answer: Our policy on user fees varies with the particular group of users served. We have categorized them into two groups.

USDA employees are one group. No charge is made for provision of traditional library services to this group. It is our policy, however, to seek full cost recovery for newer, more costly services, such as extensive automated literature searches of multiple databases. We currently seek transfer of funds as reimbursement for these services.

All other users are the second group. It is our policy to charge for some traditional library services that are high volume and expensive, such as photoduplication of documents. The legal authority for NAL to charge for these services is contained in Title VII, Sec. 2244 of the U.S. Code. The amount of charge is enough to discourage frivolous requests, but not so much as to restrict research. As new and more costly services are made available to this group, charges will be pegged to the fair market value.

Question: Would an increase in user charges resolve some of the problems with which you are faced?

Answer: Currently the fees collected are deposited in the Treasury to the credit of the applicable appropriation. The fees are used to improve services. However, the volume of user fees collected would never be sufficient to fund any significant part of the library operation.

The Blue Ribbon Panel recommended that user fees should not be used to reduce the need for additional appropriations over the next few years. The Panel also recommended that user fees should not be significantly increased until services are upgraded.

PILOT CENTER OF EXCELLENCE

You are requesting $120,000 for a pilot Center of Excellence.

Question: Have you determined what the subject area will be? How will you make this determination?

Answer: We have begun the process of reviewing subject areas for a pilot center, and will probably decide on the specific subject by the start of fiscal 1984. We are requesting this increase now, although still uncertain of the subject area, because extensive lead time is required. We have received requests from time to time to consider providing special information services in different subject areas, such as minimum tillage, and continue to receive them. At the same time, we are developing information about areas of specialization currently supported by given institutions. The decision will be based on both the urgency of the need, and existence of the capability to fill it.

Question: Have you determined what land-grant institution will be utilized as this Center? How will this institution be selected?

Answer: Not at this time, although we have several potentials for consideration. We feel we must carefully measure such aspects as literature collection strengths, availability of specialty literature in the subject area, correlated research and teaching strengths, long-term commitment of the agricultural colleges and the library, and other factors. The process of fitting needs and subject strengths together requires time to acquire information, and to explore the willingness and capability of institutions with appropriate strengths to commit resources in a shared venture which will benefit all participants as well as the nation.

Question: Will the total cost for this Center be borne by NAL or will some of the costs be provided by land-grant institutions? Please explain.

Answer: We have always thought in terms of a shared-cost program with our land-grant colleagues and others. Cooperating institutions would contribute the use of their basic collections and expertise to operate the centers, and among these might be a specialized database and delivery of documents cited in that file. The contribution of the National Agricultural Library would cover half the cost of books and journals acquired by the cooperating institution over and above the established base, and the full cost of services beyond those previously provided. It is this cooperative funding and building on an established collection that make the centers of excellence so cost effective.

Question: Do you plan to have more than one Center of Excellence in the future?

Answer: We plan to have as many centers of excellence as are needed and can be cooperatively funded and supported. While no determination has been made about an optimal number, we can see the potential for five or six centers in the next few years. Shifts in agricultural research emphasis will cause funding for some centers to be decreased or discontinued, while new ones may be established over a period of time.

INTERAGENCY PANEL

Question: Please provide for the record a listing of the recommendations of the Interagency Panel on the NAL and describe how the NAL plans to address these recommendations.

Answer: The Blue Ribbon Panel divided its recommendations into 12 broad categories with 81 specific recommendations. A summary of actions taken by NAL in each of the broad categories include:

Public awareness of NAL. The Library continually updates leaflets, brochures, and handouts describing its services. Notices of changes in policies and procedures and the development of new projects are publicized in the Library's monthly newsletter. A special request has been made to the USDA Office of Operations for expanded listings in the USDA telephone directory. Plans have been made to revise the videotape on NAL if funding can be made available.

Mission. The mission statement proposed by the Panel is in the process of being promulgated.

Departmental placement. NAL is operating on the assumption that it will remain under the organizational umbrella of the Assistant Secretary for Science and Education, while developing closer contacts with the Office of the Secretary.

Advisory Council. NAL is drafting legislation to establish an Advisory Council, for review through the usual channels.

Internal organization and staffing. A proposed organization chart consistent with panel recommendations has been drafted. A proposal to return the Food and Nutrition Information Center organizationally to NAL has been forwarded to the Assistant Secretary for Science and Education and to the Human Nutrition Information Service. The FY 84 budget requests 20 additional staff years of the 50 which the panel recommended should be added over the next two years.

Budget and funding. The FY 84 budget requests an increase of $900,000 related to panel recommendations, of the $3,000,000 increase which the panel recommends over a two-year period. We are exploring the possibility of increasing existing user fees for photocopies and data tapes, and initiating charges for other services.

Policies. A staff member will be assigned to compile existing policy statements, analyze them, indicate which may need revision and where policies are lacking. Guidance will then be provided for the updating of existing policies and the development of new ones.

Collection and processing. NAL has begun to explore cooperation with the Association of Research Libraries and the Research Library Group to develop standardized statements of library collection strengths. A cooperative collection program with other agricultural libraries will then be developed to reduce unneeded duplication and provide opportunities for cooperative database building. NAL has also initiated action to resume cooperative activities in establishing authoritative records for journals, and the names of organizations associated with them.

Services and programs. Reference desk hours were extended from 8:00 a.m. to 4:30 p.m. This budget requests positions to extend hours of service into evenings and weekends. NAL has begun to implement use of national online systems for the receipt of requests and for ordering items requested but not owned by the library, including the use of OCLC for interlibrary loan. Contractors have already initiated studies for NAL of the AGRICOLA system, and of the AGROVOC thesaurus for possible use with AGRICOLA.

International activities. NAL has arranged to have the FAO-sponsored AGRIS database made available to U.S. users through a commercial online retrieval system. An exploratory meeting was recently held with a representative of another international database generated by the Commonwealth Agricultural Bureaux.

Use of technology. NAL expects to extend the contract for a study of the existing system into a study of future needs of NAL, to produce recommendations for the acquisition of appropriate technology to meet our long-range requirements.

Agricultural information network. NAL intends to develop a formal plan for a national agricultural information network, basing its options in large part on the outcome of the cooperative study mentioned earlier, with members of the Association of Research Libraries and the Research Library Group.

COMPUTER COSTS

Question: Please provide a table that displays your computer systems costs for Fiscal Year 1982, 1983 and projected for 1984.

The information follows:

NAL Automation Budget

	1982	1983	1984
Online computer retrieval from AGRICOLA and other databases.	110,000	120,000	140,000
Automated circulation and inventory control.	98,400	110,000	140,000
AGRICOLA database production.	180,000	180,000	220,000
Serials listing system.	70,000	80,000	80,000
Shared cataloging.	140,000	140,000	160,000
CALS	380,000	380,000	400,000
FAMULUS	40,000	40,000	40,000
TOTAL............	1,018,400	1,050,000	1,180,000
CALS database lease and royalty cost.	230,000	240,000	320,000
Personnel	420,000	420,000	430,000

QUESTION SUBMITTED BY SENATOR EAGLETON

NAL BUILDING

Question: The budget requests a total of $300,000 for maintenance of NAL building. Why are these funds not available through GSA since these are legitimately maintenance expenses for a federal structure?

Answer: The National Agricultural Library building in Beltsville is not maintained by the General Services Administration. The NAL building was constructed with appropriated funds by the Department of Agriculture and all repair and maintenance is funded with money obtained through the Library's appropriation.

Space in the USDA South Building occupied by our D.C. Branch Library is maintained by GSA. Funds for this location are made available to GSA through the Standard Level User Charges.

REMARKS OF DR. BENTLEY

Senator COCHRAN. Dr. Bentley, I was going to recognize you before we got to the end of this hearing. You have some remarks that you wanted to make.

Dr. BENTLEY. Thank you, sir.

The thing that I wanted to stress was that we are, as we have tried to indicate to you, facing some difficult decisions in a number of areas. We have budget limitations, we have increased needs. We have opportunities for expanded research that will deal with some of the questions of insects, disease, and so forth, and many of our scientists believe that there are new opportunities to cope with those problems through bioregulation and biocontrol and various things. So, we want to look at that, because we feel you give us a stewardship assignment to do the best we can.

We raise questions; you raise questions, and properly so. We have had some consultations about activities, and obviously, we have not had enough. We seek the opportunity to do more and I will welcome any way that you might suggest we could do a better job of discussing some of the problems that we face. We look forward to doing that with you. It would be a pleasure to have that opportunity.

COOPERATION BETWEEN AGENCIES

I feel that we all have to work together on this. I realize that our responsibility is to the Secretary directly as a part of our employment situation, but I know the Secretary and I feel that we have to work as a team in trying to look at these problems, and that team involves our own colleagues, whether a State experiment station, Extension Service, or Federal establishment, with industry and with Members of the Congress, because we know of your role in this and your interest and support. Putting all this together is not an easy job, but it is one that we are committed to do, and we certainly will work on it.

We appreciate your comments and hope we can respond in a constructive way, because I believe, as you do, that we face and agriculture faces some very difficult choices. Yet, it is an important part of our economy and an important part of our future. So we have to do the very best we can to provide the information, the technology transfer and extension and training possibilities for students to be sure we retain a strong competitive position. This is the effort that I want to dedicate my energies to.

Thank you, sir, for the opportunity to be with you this morning.

Senator COCHRAN. Thank you, Dr. Bentley. I think there is no reason why we can't look forward to having a more profitable, mutually beneficial dialog on some of these issues that have been raised this morning. I know, for instance, that you have been very supportive of research activities in the areas of disease and pest control on the farm. As a matter of fact, in January you spoke at a meeting in San Antonio where you stated that one of the research priorities relating to cotton would be:

> Reducing insects, weed and disease losses, and control cost in cotton without sacrificing the health and environmental quality.

You further added:

> As we look to the future, Secretary Block supports the testing and expansion of area-wide cotton insect management trials and programs throughout the Cotton Belt. Any departmental position or program direction will include discussions with State departments of agriculture, State agriculture experiment stations, the Cooperative Extension Service, and growers' organizations. This will be a total cooperative venture.

That statement is very reassuring. I am sure you probably still have the same feeling and attitude today in spite of the 6-year plan we have talked about earlier in the hearing this morning.

Dr. BENTLEY. Yes.

Senator COCHRAN. Because I think there is a contradiction, and I think that plan is an in-house developed proposal, and I view it as a proposal, as a guide. But I think there are ways to refine our resource allocation so that the commitment that you have and I know the Secretary has and that the Research Service has to these traditional concerns, is not going to be abandoned.

Dr. BENTLEY. I am pleased you made that last comment, because while the questions were directed to Dr. Kinney, I know he carries the same commitment and concern I do.

Senator COCHRAN. I am confident he does.

I thank you all for being here and appreciate your cooperating with the committee.

SUBCOMMITTEE RECESS

Our next hearing is going to be Tuesday, March 22, in this room. At that time, we will hear witnesses from the Economic Research Service, the Statistical Reporting Service, and the World Agricultural Outlook Board. The subcommittee stands in recess until then.

[Whereupon, at 11:25 a.m., Thursday, March 17, 1983, the subcommittee was recessed, to reconvene Tuesday, March 22, at 9:30 a.m.]

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